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INTERNATIONAL CONCERNS FOR ENVIRONMENTAL IMPLICATIONS OF MULTILATERAL DEVELOPMENT BANK PROJECTS

HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

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INTERNATIONAL CONCERNS FOR ENVIRONMENTAL IMPLICATIONS OF MULTILATERAL DEVELOPMENT BANK PROJECTS

THURSDAY, MAY 1, 1986

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN OPERATIONS,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Robert W. Kasten, Jr., (chairman) presiding.

Present: Senators Kasten, D'Amato, and Specter.

DEPARTMENT OF STATE

BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

STATEMENT OF JOHN D. NEGROPONTE, ASSISTANT SECRETARY, BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

OPENING REMARKS OF COMMITTEE MEMBERS

STATEMENT OF SENATOR KASTEN

Senator KASTEN. The subcommittee will come to order.

Today's hearing will focus on the international concern for continued environmental reform of the Multilateral Development Banks. We will hear from witnesses from the United States, as well as from other nations. For the first time, we will hear witnesses from nations which financially support these banks, as well as from borrower nations.

I believe today's hearing will make it clear that concern about the environmental record of the Multilateral Development Banks is not limited to this committee, but is a concern around the world.

REFORMS IN MDB ACTIVITIES

Last year this subcommittee adopted legislation to instruct the U.S. Departments of Treasury and State to make fundamental changes in the

way these banks are overseen. I believe some significant progress has been made, but much more remains to be done.

I can't emphasize strongly enough that we expect the MDB's to implement the reforms adopted by this committee. We will continue to evaluate these institutions on the product of their work, not just by the policies that they may have on the shelf.

In addition, we expect to see the State and Treasury Departments be aggressive in pursuing these reforms.

GLOBAL IMPACT OF MDB PROJECTS

What concerns me the most about many of the projects sponsored by the MDB's is that the environmental impact is truly global. These institutions are sponsoring development projects which are destroying unbelievable amounts of tropical forests and range lands.

Today, we will hear from witnesses who will discuss the impact of these projects on their nations. I do not want us to overlook the fact that these impacts are not limited by geographic or political boundaries. The entire world loses when a major ecosystem is destroyed.

POLORONESTE PROJECT, BRAZIL

In this subcommittee's previous hearings, we have looked at several case studies illustrating the magnitude of destruction financed by the MDB's. We have focused much attention on the Poloroneste project in Brazil. As we have discussed before, this single project has led to the deforestation of an area approximately equal to the size of my home State of Wisconsin.

[CLERK'S NOTE: Illustrations 1, 2, and 3, referred to in the following pages, were not of a quality to warrant reproduction in this hearing record. They will, however, be retained in committee files.]

DEFORESTATION OF AMAZON RAIN FOREST

Illustration 1 illustrates the extent of road building into the undisturbed Amazon rain forest. The light areas are ones that have been deforested as of 1984. That deforestation has expanded since this photograph was taken.

In the Poloroneste project the World Bank supported the building of a major penetration road into the relatively undisturbed Amazon rain forest. Individuals were encouraged to move from populated areas to areas with a low population density.

Unfortunately, this project did not recognize that the soils in this portion of Brazil were not suitable for the types of agriculture introduced to the newly cleared lands. The fragile tropical soils could not sustain intensive agriculture. What had been productive rain forest has become eroded, infertile farm land. An area which had once supported tremendous density in animal, plant and human populations has been laid waste.

DEVASTATION FROM LAND CLEARING

The second illustration depicts the scale of this devastation. In this photograph, taken from the space shuttle, you can see that a large portion of the Earth's surface is affected by this single project. These white lines are actually plumes of smoke coming from the burning forest. Huge numbers of important resources are impacted by this single project. Valuable waterways are destroyed, biological diversity is severely impacted, and the social structure of these regions is torn apart.

I want to emphasize that this is just one single project that we are focusing on in these last two slides, but we could do the same thing in a couple of different projects in Africa, and other projects in other parts of the world. This is just one single project.

Environmental devastation is not the only impact of poorly conceived development projects. They also have adverse impact to the indigenous peoples in these project areas.

Unfortunately, the Brazilian example that we have focused so much attention on is not unique. Today there are projects of equal magnitude around the world being financed by the MDB's. In fact, we will hear from individuals from Brazil, Indonesia, India, and Botswana about the impacts of projects in their nations.

FOOD PRODUCTION IN SUB-SAHARAN AFRICA

The impact to human populations is as devastating as it is to basic ecosystems. Illustration three depicts the history of food production, and foreign sponsored food assistance to Sub-Saharan Africa. You can see that there has been a collapse in the ability of this region to provide for its own food resources, to provide for its own food needs. This has resulted in a heavy dependence by these countries on food assistance.

Clearly, the drought contributed significantly to the collapse of the ability to produce food, but that is not the only cause. We have destroyed many of the resources that are essential to producing food. Grasslands have been overgrazed, and highly erodable soils have been tilled, and subsequently washed away.

DESTRUCTION OF FERTILE RANGE LANDS

The destruction of fertile range lands has made food production more difficult. The naturally adapted and traditional food supplies were more tolerant of the historical drought cycles in Africa.

These traditional, well-adapted foods have been largely replaced by Western agriculture. These new food sources are highly dependent on a readily available supply of water. When the drought came, those introduced food sources could not be produced. Worse yet, the traditional food sources were no longer available.

The destruction of a basic environmental resource, such as fertile soils, places additional pressures on other resources. When we destroy fertile soils, we also destroy the ecosystems dependent on that resource. Waterways become clogged with silt, wildlife populations are decimated when their habitat is destroyed, and the climate itself may be changed.

When a basic environmental resource is severely damaged, it can frequently set off a far reaching chain reaction. This is a process that is not easily reversible, and its implications are far reaching.

MDB REFORMS

The kind of reforms in the MDB's we are calling for are not radical. We are simply calling on the banks to utilize basic principles of environmental science in reviewing potential loans.

Many of the projects that we are supporting in developing nations would not be allowed here in our country. We have, in fact, outlawed in this Nation a large number of the practices we support in other nations. I will not tolerate this, and I believe that the American people will not tolerate this type of activity either.

It is time for the multilateral development banks to recognize that protecting a nation's environmental resources is essential for any development projects to succeed. If the resource base collapses, so too will the economy, and worse yet, this process sets off an irreversible chain reaction which devastates the ecology and social structure of borrower nations.

We have made substantial progress in the past 2 years, as I said in the beginning of my statement, but there is much further to go. I believe that this hearing will demonstrate that neither this subcommittee, the administration, nor other nations will tolerate delay.

Today, we are scheduled to hear from 10 witnesses. Many of these individuals have come a long way to give us the opportunity to hear unique perspectives on the need to reform the MDB's. So that we may hear from every witness and have time for indepth discussion and questions, I hope that each of the witnesses will limit their oral presentations to approximately 5 minutes. Your entire statements will appear in the record in full.

We are pleased to have with us Mr. John Negroponte, the Assistant Secretary for the Bureau of Oceans and International Environmental and Scientific Affairs from the Department of State.

Before you go ahead, John, I would like to ask Senator Specter or Senator D'Amato if they have a statement at this time.

Senator Specter.

REMARKS OF SENATOR SPECTER

Senator SPECTER. Thank you very much, Mr. Chairman. I have just a few brief comments.

At the outset, I commend you, Senator Kasten, for your leadership in this very, very important matter. The environment of the nations involved is of tremendous concern in terms of basic humanitarian concepts, and the objectives that you have articulated in your opening statement to take care of those environmental concerns have to be pursued.

COMPETITIVE ISSUE

There are other considerations, such as the competitive issue, where so often the U.S. industries are at a competitive disadvantage as we recognize the necessity for health considerations on environmental matters, which we practice assiduously in this Nation, as we should. That puts U.S. industries at a very distinct disadvantage, along with other factors. Lower wage rate is a factor which is a natural one, which cannot really be dealt with. But the environmental concerns have an impact beyond the health factor, and protection of the environment alone, but also on the basis of equal treatment. It puts the U.S. production on an equal footing economically.

CHERNOBYL DISASTER

While it is probably beyond the scope of this hearing, it certainly was not planned when the hearing was set, we are facing one of the most acute environmental catastrophes in the history of the world with what has occurred near Kiev in the Soviet Union, with the nuclear accident. I don't know that that is a subject which can be addressed by the agencies today, but it may be that a catastrophe such as the world is facing right now is something that ought to be moved into our overall thinking. It is certainly going to affect a lot of environmental factors.

If it is not a matter for the concern of the agencies we are going to hear from today, it is something that we will have to give a lot of thought to, because it is not something that is going to occur once and never occur again. It is something that we are going to have to give a lot of planning to in a preventative way, and also in a reactive way, to avoid fouling up the environment in such a catastrophic way as we face it at the present time.

Mr. Chairman, I regret that I cannot stay long because of another committee assignment, but again I commend you for these hearings. I have staff present who will review the transcripts. Thank you very much.

Senator KASTEN. Thank you, Senator.

Senator D'Amato.

REMARKS OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I am not going to be able to participate as I might like to in this hearing due to the fact that I am going to be chairing a hearing in 15 minutes on another very important issue: money laundering, a scourge on our society of drug epidemics which is assisted by financial institutions that don't do that which they should.

But there is another scourge, Mr. Chairman, that you have uncovered and that, unfortunately, very few recognize, and that is the battle that Senator Kasten has waged almost singlehandedly. Indeed, he has been the leading advocate in saying: Wake up, America and the world, and take a look at the impact of certain moneys made available for so-called economic development. What we are really doing with this money is tearing down the very countries that we are attempting to help. We are tearing apart the fabric that bends together their economic potential.

MALARIA IN BRAZILIAN PROJECTS

I would like to ask permission, Mr. Chairman, to submit an article into the record that appeared in today's Washington newspaper by Jack Anderson and Joseph Spear. It is entitled "Malaria Scourges World Bank Project." The essence of the article is that for a number of years, the scourge of the so-called development within the jungles of Central and South America was brought to light because we have been destroying our rain forests by building highways through them, because we have been bringing in large numbers of people that the area can't support, because we have been tearing down the fragile environmental balance that is so necessary there, and because the World Bank seems to be rather indifferent to these circumstances.

The World Bank gets somewhat angered and perturbed at those who say, "You had better take a look at what the impact of these projects will be on the environment." They have an almost public-be-damned attitude: "We are going to do what we want to do. We have a development project, and that project is going to create jobs, et cetera, and money, but we don't look to see what the impact will be on the environment."

This article very clearly points out what is taking place in Brazil, and the fact that the bank suspended loans briefly, but only after a full year had gone by. This took place only after you, Mr. Chairman, and other environmental groups publicly criticized their handling of this project. I dare say that they are probably back there pumping money into this project and patting themselves on the back for a job well done, because they have more highways built, more jungles destroyed, more adverse impact created, more vehicles coming in.

Mr. Chairman, let me say to you that I stand ready in any way possible to assist you. If it means a cut-off of funds, then sobeit. They have not heeded your warnings. The fact is that we have a powerless situation, the ecosystems of the world are at stake. We want to see economic development, but not at a cost that in the long term is going to bring about the kind of damage that is going to make this world much poorer environmentally for people to live, particularly in undeveloped areas.

Mr. Chairman, I would like your permission to submit this article into the record as well as the balance of my remarks and some of my questions.

I commend you, Mr. Chairman, for your leadership in this important area.

Senator KASTEN. Without objection, the article will be included in the record.

I thank you very much, Senator, for your comments.

[The article by Jack Anderson follows:]

THE WASHINGTON POST THURSDAY, MAY 1, 1986 Md. 11

JACK ANDERSON and JOSEPH SPEAR

Malaria Scourges World Bank Project

For years environmental experts have predicted disaster if the World Bank encouraged Brazil's ambitious land development scheme in the Amazon rain forest. Now it has happened. A malaria epidemic has devastated the state of Rondonia, in the heart of the World Bank project.

Called Polonoroeste, the controversial jungle-clearing scheme has been made possible by nearly $500 million in loans from the World Bank, which gets one-fifth of its money from the United States. Some critics suspect Polonoroeste was designed by the Brazilian military government as a way to take care of the country's 2.5 million landless poor.

So far, 500,000 settlers have gone to Rondonia in western Brazil over the past four years, lured by promises of cheap land and a bright future. But most of them found instead only poor soil and rampant violence.

That was disheartening enough, but our associate Donald Goldberg has learned that as many as 200,000 of the hapless settlers have contracted severely virulent strains of malaria, carried by mosquitoes throughout the rain forest region. The disease threatens to spread to Brazil's populated areas as sick or discouraged settlers carry it back to the cities.

Health experts here and in Brazil agree that the settlers are susceptible to the epidemic because their numbers have overwhelmed the limited health facilities in the primitive region. In some newly opened areas, half the population has malaria.

Even without the malaria epidemic, critics of Polonoroeste predicted dire results from the World Bank project. The bank's staff warned that the fragile rain forest land was incapable of supporting the kind of agriculture that would be needed to feed 500,000 settlers.

Bank officials stoutly deny that Polonoroeste has been a failure, and insist that "careful analysis and regional planning went before any investment decisions." But the fact is that the greatest part of the World Bank loans went to paving the main highway that opened up the rain forest to the hordes of settlers.

The bank's staff experts warned that if the project were to have even half a chance of success, certain steps must be taken. In March 1984, an evaluation team reported to the World Bank:

"The most serious issue identified by the mission relates to the growing imbalance within the program between infrastructure construction [paving the main highway], which is proceeding at a fast pace, and farmer services and forestry and natural reserves development, which are almost not proceeding at all."

The team concluded sourly: "Unless serious measures are actually implemented by the Brazilian authorities to reverse this trend . . . the bank should, in this mission's opinion, suspend disbursements against all components of the program."

The bank did suspend loan payments briefly, but not until a full year had gone by, and then only after Sen. Robert W. Kasten Jr. (R-Wis.) and environmental groups publicly criticized the bank's handling of the project.

STATEMENT OF JOHN NEGROPONTE

ENVIRONMENTAL ASPECT ON U.S. FOREIGN AFFAIRS

Senator KASTEN. Our first witness is Mr. John Negroponte, Assistant Secretary of State.

Mr. NEGROPONTE. Thank you, Mr. Chairman, for inviting me to testify this morning on the very important matter of the environmental responsibilities and activities of the multilateral development banks, the MDB's.

Mr. Chairman, as you suggested, we have submitted a longer statement for the record, and I will, with your permission, make some summary remarks.

As you well know, the Bureau of Oceans and International Environmental and Scientific Affairs, which I am privileged to lead, was specifically created by the Congress. One of the objectives was to inject a strong environmental perspective into the Department's conduct of foreign relations. We are pleased to have been explicitly recognized by the Congress as a key participant in U.S. efforts to improve the environmental performance of the MDB's. We have responded by assigning this subject a top priority within the OES portfolio.

I would like to stress that our efforts are receiving support at the highest levels of the State Department. Late last year, the Acting Secretary and the AID Administrator sent a message to all ambassadors and AID mission directors on the subject of MDB's and the environment. They urged our officials to do all they could to encourage other donors and borrowing countries to support more environmentally sound development projects.

More recently, Secretary Shultz wrote to Treasury Secretary Baker to underline the Department of State's strong interest in promoting sustainable development. He committed the Department to continue to work closely with the Treasury toward that goal.

MULTIAGENCY EFFORT IN FOREIGN ECONOMIC DEVELOPMENT

As you are well aware, Mr. Chairman, this truly requires a multiagency effort. Treasury has the lead role in relation to the development of overall policy towards the MDB's. AID has been a source of invaluable technical expertise on various subjects. We, in State, have been working closely with both agencies on a variety of joint or supplementary efforts related to the goal of improved MDB environmental performance.

We have also developed what I believe are good relations with the nongovernmental organizations which have been playing an active role in this field. Indeed, I have seen several familiar faces here today. These groups are often frustrated with the slow pace that things seem to move. However, I think they appreciate that we are as desirous of improvement as they are.

To those skeptics who ask why the State and Treasury Departments are spending time and resources on this subject, I would reply that care-

ful attention to environmental considerations and sound resource management makes for good development economics. It is simply more sensible economically to undertake development projects in an environmentally responsible manner in the first place than to have to repair, abort, or abandon them at some later date.

ENVIRONMENTAL CONSIDERATIONS IN MDB PROJECTS

What actually are we doing to implement the objectives of the Congress, and to pursue the goal of better integration of environmental issues into the development process?

We are actively participating in the interagency MDB project review process, and in other more informal efforts to vet specific projects from an environmental perspective. We have joined with Treasury officials in a review of the Inter-American Development Bank's Committee on the Environment. That committee is playing a very important role in the bank, but its integration into the project design process could be more systematic. We thus plan to continue to monitor its activities in the months ahead.

TROPICAL FORESTS

We have been pursuing the Congress's desire that we engage the banks in search for beneficial environmental projects. Given staff limitations, we have been moving slowly, but I am optimistic for the long run. A key topic that we have selected is tropical forests.

Mr. Chairman, I know you are well aware of the World Resources Institute's landmark report entitled "Tropical Forests—A Call For Action." It has already stimulated the Food and Agricultural Organization, of the United Nations, to produce a global tropical forestry action plan, and we will shortly be discussing with the World Bank, and subsequently with the other MDB's, specific aspects of the identified investment priorities and opportunities.

IRRIGATION AND ENERGY CONSERVATION

Other beneficial project themes we are exploring are irrigation and energy conservation. With the Treasury Department, we have also been examining the program of the World Bank's Economic Development Institute [EDI]. As a result, we will be making recommendations to the bank concerning more effective integration of environmental and resource management issues into the existing courses of the institute.

Mr. Chairman, we are thoroughly convinced that it is in the interest of the MDB member countries, donor and borrower alike, to seek improved environmental performance by the banks, particularly in these days of heightened concerns about maximizing the impact of limited developmental resources. But these countries must themselves act in support of this interest, and we have made this subject a top priority.

JOINT EFFORTS IN SUPPORT OF PROGRAMS

To encourage such action, we have been working very closely with our Treasury colleagues to obtain the support of other key donors. This spring, we have been communicating with our embassies in selected donor countries, asking them to try to develop general support for our goal.

Most recently, we specifically sought support for the position the U.S. Director took on environmental issues at the April 30 meeting of the World Bank Board of Directors.

We, and the Department of Treasury, sense considerable sympathy for our overall goal among many of the donor countries, and varying degrees of potential support for some of the specific objectives. In the longer run, however, it will be essential to engage key borrower members of the MDB's as well.

In the final analysis, even the most consciencious multilateral bank could be thwarted in its objectives if, for their own reasons, borrowing countries were not convinced that good resource management made development sense.

In conclusion, I would like to reiterate that the Department of State is fully supportive of the goal of promoting truly sustainable development, and encouraging the multilateral development banks to become even more valuable partners in the process than they are already.

PROGRESS IN MULTIFACETED STRATEGY

We are implementing a multifaceted strategy in support of the goal that Congress has set for us. Progress is being made. Some solid first steps have been taken. While it is a difficult process, we take it seriously, and intend, in close collaboration with our other colleagues in the Government, to stay for the duration.

Thank you very much, Mr. Chairman. I am ready to answer any questions which you might have. I should add that at the outset, I forgot to introduce Mr. Paul Glasso, who works in our Bureau, in the Office of Food and Natural Resources, and is the officer who is specifically assigned to monitoring the issue of environmental performance by multilateral financial institutions.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Negroponte follows:]

PREPARED STATEMENT OF HON. JOHN D. NEGROPONTE

ASSISTANT SECRETARY OF STATE FOR OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

Mr. Chairman,

I am pleased to have this opportunity to present views on behalf of the Department of State regarding the environmental responsibilities and activities of the multilateral development banks (MDBs).

At the outset, I would like to stress that the Department fully supports the goal of the Subcommittee in this area. Indeed, the Department believes that in order to be sustainable, development must be based on sound ecological principles and that these principles must be closely and carefully integrated into the development process. Given the major role the multilateral development banks play in influencing the nature and pace of the development process, their capacity and commitment to address the environmental dimension is of critical importance.

The Department of State has for many years carried out an active international environmental program. A substantial part of this effort has been devoted to issues related to rational management of the world's scarce natural resources. Our leadership role in international efforts to address the tropical deforestation problem is just one example. We are pleased, therefore, to have been explicitly recognized by the Congress as a key participant in a broad effort to improve the environmental performance of the MDBs. Over the past year, the Bureau of Oceans and International Environmental and Scientific Affairs (OES), which I am privileged to head, has assigned a top priority to the MDB/environment issue area.

I would like to emphasize at the outset that, in our view, significant progress has been made in a relatively short period of time in elevating and addressing this issue. We have enjoyed, in this respect, excellent cooperation from the Department of Treasury, as well as the Agency for International Development, in collaborative efforts to pursue the mandate that Congress has given the Administration in this area.

In addition, we have been working closely with the principal U.S. nongovernmental environmental organizations which were instrumental in focusing public attention on the MDB-environment interrelationship. We have frequent and candid contact with representatives of these organizations. While we may have differences of views from time to time regarding the specific strategy to follow, and priorities, there is solid agreement among the spectrum of involved U.S. federal and non-federal institutions as to overall goals and objectives.

It is important I believe to describe the organizational framework of the Department of State as it relates to the subject before us.

The OES Bureau is the primary action component in our Department. Mr. Richard Benedick is my Deputy Assistant Secretary directly responsible for environmental matters. He, in turn, directs the activities of two offices: the Office of Environment

and Health, and the Office of Food and Natural Resources. It is the responsibility of the latter office to deal with the question of the environmental implications of MDB activities on a day-to-day basis.

OES, of course, does not work in a vacuum. The Department of State, as does Treasury, must grapple with a myriad of "non-environmental" issues every day, covering a wide range of political, economic, and assorted other issues around the globe. OES must thus interact and cooperate with the various regional geographical bureaus in the Department, which oversee the conduct of the United States' bilateral relations with other countries. We must, in addition, coordinate particularly closely with the Bureau of Economic and Business Affairs. Our "EB" Bureau deals with the gamut of economic, trade, and financial issues affecting our relations with the rest of the world; and it has the principal responsibility in the Department for working with Treasury on overall U.S. policy toward the MDBs. This working relationship is sound and productive.

I would stress that our efforts to strengthen MDB performance in the environmental field are receiving support at the highest levels of the State Department. Just a few months ago, the Acting Secretary of State and AID Administrator Peter McPherson sent a cable to all Ambassadors and AID Mission Directors expressing their personal interest in the subject of sustainable development. They stressed the importance they attach to having U.S. Embassy and Mission officials doing all they can to encourage the MDBs, as well as other donors and borrowing countries, to move toward more environmentally sound development projects.

More recently, Secretary Shultz wrote Treasury Secretary Baker to underline the State Department's strong interest in promoting sustainable development in the Third World. Secretary Shultz noted that, while the goal of better integration of environmental considerations into MDB project planning and implementation is complex and sometimes sensitive, "the effort is worthwhile." He committed the State Department to continue to work closely with Treasury toward that goal.

A skeptic might ask why the State Department and the Treasury Department are spending time and resources on this subject. The short answer is that careful attention to environmental considerations and sound resource management makes for good development economics. That is, it is economically more advantageous to undertake development projects in an environmentally responsible and sound manner in the first place than to have to repair, abort or abandon them at some later date. Examples of the costs of poor environmental planning include: premature siltation of dams due to poor watershed management; loss of tropical forest resources and/or reforestation costs from slash-and-burn activities of unanticipated settlers using new access roads; and health care outlays resulting from poorly planned or implemented irrigation projects which lead to the spread of water-borne diseases.

It sounds so simple and unexceptionable. But of course it is not. While there are grounds for optimism about improved environmental performance by the MDBs over the long run, there is still much to be done. The efforts of the Congress, the Administration, and the non-governmental organizations and the many citizens they represent must not slacken if we are to assure ultimate achievement of our collective goal.

How can this goal be pursued?

The Administration is taking a multi-faceted approach, and the State Department is involved to one degree or another in most of the activities.

For example, the OES Bureau has, through the Office of Food and Natural Resources, been participating in the interagency MDB project review process ("WGMA") and in other, more informal efforts to evaluate specific MDB projects from an environmental and resource management point of view. The shortcoming of the WGMA review process is that it basically intercepts projects when they are well advanced in the decision making process, and ready for presentation to MDB Boards of Directors for approval. At this point, only the most egregiously ill-prepared or poorly targetted projects can be sent back to the drawing board. And that can happen only if other countries join the U.S. in insisting on it. What is really needed is a more basic attempt to affect the process by which the banks develop and prepare projects. Our long term goal is to ensure that all MDB projects are fully responsive to environmental concerns when they come before the Executive Directors for final approval.

In this regard, I should mention that AID maintains a so-called "Early Project Notification System" which seeks to obtain views of AID missions abroad on a range of MDB projects while they are still in the early developmental stage. Environmental considerations are one of a series of issues which are to be addressed by our posts. The objective is to use whatever information can be developed in this fashion to influence project design, should that be in the U.S. interest. OES participates in this effort, where appropriate. As the Subcommittee is aware, this system is not foolproof. However, it does provide a degree of "early warning" on some MDB projects in some countries and, as such, plays a useful role in the total USG effort to move the activities of the MDBs in the directions we all desire.

OES staff have recently participated with Treasury officials in a series of meetings arranged with the Committee on the Environment of the Inter-American Development Bank (IDB). This is another example of the broader approach which we are pursuing to influence the process of project preparation at an early stage. The general conclusion we drew was that the Committee is serving a very useful role within the IDB, but that its involvement in the project design process could be more systematic and comprehensive. In view of its importance and evolving role, we plan to continue to monitor the activities of the Committee in the months ahead.

One area in which State has been taking the lead role involves so-called "beneficial projects." At the outset, I must admit that we have not progressed as far and as fast as we would have liked in this important area. However, we are, I believe, moving in what should be useful and productive ways.

First, we are engaging staff of the World Bank in a dialogue on issues related to the design and management of irrigation projects. The importance of increasing agricultural production in many parts of the developing world, and the key role irrigation will play in this process, led to the choice of this subject. We hope this dialogue will lead to the identification of specific constraints to environmentally sound irrigation projects. This, in turn, should provide useful insights into ways to overcome these constraints, and also identify well-designed projects or project components which can serve as examples to others on how irrigation schemes can be designed and operated in a manner that will reduce to a minimum any adverse environmental impacts.

The second specialized development sector we have chosen to explore with the banks is tropical forests. You, Mr. Chairman, are certainly aware of the World Resources Institute's recent report, "Tropical Forests: A Call for Action". This is a landmark in helping identify priority areas for international

action. It has already stimulated the Food and Agriculture Organization to produce a global "Tropical Forestry Action Plan" which is now receiving serious attention around the world. We believe that the global action plan, which integrates the World Resources Institute's investment strategy, represents our best current hope for mobilizing an expanded international approach to tropical forest management. We plan to explore shortly with the World Bank specific aspects of the action plan to identify investment priorities and opportunities.

We are also considering energy conservation as a possible third development sector in which to engage the MDBs on focused discussions of development-environment relationships. Because of our staffing limitations, we cannot undertake all of these (and/or other) themes concurrently; however, we hope that with continuing attention to the general subject, and patience, we will soon be able to report positive results from these efforts.

It goes without saying that these issues are not unique to the World Bank. We will thus be engaging the other MDBs on the three themes in the future as well.

In addition, we are seeking and utilizing "targets of opportunity" for opening a dialogue on a range of issues with those MDBs not based in Washington. For example, OES staff met with the new U.S. Executive Director to the African Development Bank (AFDB) prior to his transfer to Abidjan, and also had useful meetings with the Swedish-funded environmental officer currently stationed at the AFDB.

We have also been examining the programs of the World Bank's Economic Development Institute (EDI). State and Treasury Department officials have recently held a series of very useful meetings with a range of professionals from the EDI. Our conclusion is that what is probably most desirable is a carefully thought-out program to integrate environmental and resource management issues into a variety of the existing and planned courses and seminars of the EDI. We and Treasury will continue to pursue this concept with the World Bank, via the U.S. Executive Director's Office.

One last area on which I would like to report relates directly to Section 540(c) of PL-99-190. This section urges the Departments of State and Treasury to seek to engage other donor countries in the effort to move the MDBs toward more environmentally sound development projects.

This is an absolutely critical component of our overall strategy. We are thoroughly convinced that it is in the interest of all MDB member countries--donors and borrowers alike--to seek improved environmental performance by the MDBs, particularly in these days of heightened concern about maximizing the impact of limited developmental resources. It is also clear that, no matter how hard the United States Government presses, it is not realistic to expect that, acting alone, we can effect necessary change. We must have the support of other bank members.

We have been working very closely with our colleagues at Treasury to enlist other donors in this initiative. The groundwork was laid in the cable to all U.S. overseas posts to which I referred earlier. We have followed up on this with a second communication to our Embassies in selected donor countries, asking them to inform appropriate governmental agencies in their host countries of U.S. intentions to seek broad international support for efforts to strengthen the environmental component of MDB project lending.

Last month, we transmitted another message to key multi-

lateral bank donor governments, this time seeking support for specific U.S. positions at the just-concluded April 30 meeting of the World Bank's Board of Directors on the FY 1987 budget. In advance of this meeting, we and Treasury officials had informal discussions with representatives of the Executive Director's offices of other members. We sensed considerable sympathy for our overall goal, and varying degrees of support for our specific objectives. We are also receiving some quite positive signals from abroad. For example, our Embassy in Copenhagen recently reported that the Nordic nations are very supportive of our MDB initiatives, and have instructed their Executive Director to support the U.S. positions.

At the same time that the State Department is approaching other donors via our diplomatic posts abroad, Treasury is raising the same themes in the several international fora in which it plays the lead role, such as replenishment meetings.

It is quite evident that we cannot expect unanimity among even donor nations concerning all the details of the major proposals in your legislation. Yet I think we will be receiving important general support from a sizable number of them. In the longer run, however, it will be critical to engage key borrower members of the MDBs as well. In the final analysis, even the most environmentally conscientious multilateral bank could be thwarted in its objectives if borrowing countries are not convinced that sound resource management and environmental protection makes good developmental sense.

Fortunately, we are sensing an increasing awareness and interest in such issues in the developing world. We see this not just in the discussions with other Executive Directors' offices. It tracks also with what we are experiencing in other international fora, notably the UN Environment Program. There, one of our primary goals has for years been, simply put, consciousness raising. There is no question but that the developing nations are slowly moving toward an understanding of the integral relationship between sound resource management and environmental protection and sustainable development. Despite this trend, though, it will take a major, and long term effort going well beyond the confines of our present dialogue with the multilateral banks to effect the type of permanent change in attitude and priorities which we all can agree is necessary.

Mr. Chairman, I would like to reiterate in conclusion that the Department of State is fully supportive of the goal of promoting truly sustainable development. In support of this, we are desirous of, and committed to, encouraging the multilateral development banks to become even more valuable partners in the process than they are already.

Progress is definitely being made. This is quite apparent if one compares the level of public awareness, government attention and MDB sensitivity and policy dialog which is present today in relation to the situation which existed just two years ago. We are keenly aware, however, that achieving the goals that the Congress has set for us will be not be easy. We must all be prepared to remain engaged in the pursuit of these goals over the long term. There are many obstacles, not the least of which are the independence and closely-guarded sovereignty of the developing countries and their not uncommon view that environmental considerations are luxuries which often cannot be "afforded."

This notwithstanding, we are convinced that sound environmental planning is an essential part of a sound development process. The effort to integrate environmental and natural resource management considerations into development lending is important, worthwhile, and should pay increasing dividends.

SPECIFIC GOALS BY INDIVIDUAL DEPARTMENTS

Senator KASTEN. Thank you very much, Mr. Secretary.

Mr. Glasso, we are pleased to have you here today as well.

Let me first of all say that I congratulate you on your statement. From what we have been able to see, at least in the Department of State, the Department of Treasury, and in our administration, I think, over the last 2 or 3 years, there are stronger and stronger statements in terms of our goals. I congratulate you for your statement today.

Is it possible to narrow down, Mr. Secretary, what contribution you and your particular department can make? What unique contribution can the OES make toward achieving our goals?

We are all in this together now, and I believe that we are all going in the same direction. But what is it that you and the OES can do toward achieving the goal of improved environmental performance—not goal setting, but we are looking at the performance.

Mr. NEGROPONTE. I think, first of all, the fact of having an officer who works virtually full time on this issue within our Bureau is a very positive factor, and it puts us in a position of being able to monitor the situation closely.

Second, we have a network of embassies and consulates abroad, and we have an elaborate reporting mechanism, I think that we can try to instill a sense of the importance of environmental developments and considerations at our posts abroad, and insure that they report fully on significant environmental developments in other countries.

Senator KASTEN. In other words, you could serve as a monitoring post for us, is that what you are suggesting?

Mr. NEGROPONTE. I am saying that we have an extensive reporting mechanism in our department that really isn't duplicated in any other part of our Government, and I think that that is a unique contribution that we can make to following international environmental development. I think that is a very important function.

In addition to our efforts to persuade both donor and borrower countries to attach higher importance to the environmental aspects of these loans.

Senator KASTEN. You mentioned, in your testimony, that it clearly is in the interest of each country, donor, and borrower alike, to understand the importance of the environmental aspects of so many of these different projects.

FOOD PROGRAMS

The food chart shows what we are faced with. So many people have been doing things that they look upon as a big benefit in the short term, and in about half the time there is not a short-term benefit, but the long-term problem.

In another part of function 150, which is our Foreign Operations Subcommittee, we are working on all the different programs that go to relieve the hunger and famine problems all over the world, and in particular parts of Africa. Here we are funding, out of another line item out of our same account, these different projects which, in effect, are

destroying the ability of these countries to produce food for themselves, to attain self-sufficiency.

I don't know what the numbers are in Botswana, but up until something like 7 or 8 years ago, Botswana was a food exporting country. Botswana now—later today, we are going to have a couple of gentlemen who have been active in Botswana, including one, Rick Lomba, who did a film on a project there—the bottom line is that now Botswana not only is a food importing country, it has significant problems of famine and starvation, all as a result of a project which we funded indirectly with our money.

ENVIRONMENTAL REFORMS IN MDB

Let me just ask you if you can give us, Mr. Secretary, any sense of the kinds of progress which either you, in your department, or the overall State Department has made in raising the issue of making environmental reforms in the MDB's with other nations.

Do you have any sense of whether people are paying lipservice to us, or absolutely refusing to think about these issues, or in fact that we are starting to see some progress?

Mr. NEGROPONTE. There isn't much that I can add to what I have said in my testimony. We and Treasury have found a generally supportive attitude in several key countries, but not agreement on all the details of what we are seeking to accomplish.

For example, there is some reluctance to press the banks too hard on the issue of contacts with nongovernmental organizations, recognizing that this can be highly political, and possibly confrontational in some countries.

While we have not yet really begun a concentrated effort to discuss the specific MDB issues with the developing countries, as I have noted, there is an increasing awareness that good natural resources management makes good development sense. As one developing country representative told us recently, in rather blunt terms, "We want to avoid the mistakes you made in your industrialization process."

Senator KASTEN. I think that this is exactly the point that we are trying to make. We don't need to reinvent the wheel here. We have decided that certain things are wrong, and we have outlawed them, and yet exactly the same kind of practices, chemicals, whatever category you want to pick, are now being used in other parts of the world, where we have already decided that they are wrong.

I want to thank you for being here. I have additional questions, which we will submit for the record. I know that Senators D'Amato and Specter do as well.

I know that you have important responsibilities that go beyond this particular area today. Therefore, I am going to ask you to simply reply to those questions.

SEPTEMBER WORLD BANK MEETING

In conclusion, I wanted to say, in terms of getting people in the other countries to recognize the importance of this issue, one of the things that I am hopeful that we can do, and that you might be able to help us with, during meetings, such as the World Bank's Annual Meeting, which will be coming up this September, and there are other times in which different representatives of these groups come together, to the degree that you and others in positions of leadership can work in meetings, symposia, seminars, where we can focus attention on this particular problem. There are many different ways of doing it, bringing people together, putting out a paper or two, but to use the meetings that are already going to be taking place, and just block off a little bit of time, or a breakfast, or a lunch, or a speech, or whatever, to focus the attention on this set of issues, I think that it would be helpful. I would encourage you to do that.

SUBMITTED QUESTIONS

A couple of the questions that I am going to submit to you regard the possibility of certain kinds of meetings and symposia around the World Bank meetings that are about to occur. I hope that you and the people who are working with you would look upon that effort favorably.

I want to thank you very, very much for appearing before us. All of us look forward to working with you and your expert in the future. We thank you very much.

Mr. NEGROPONTE. Thank you, Mr. Chairman. We look forward to receiving the questions. We will answer them, and we will also look forward to working with you and your committee on this important subject. Thank you very much.

Senator KASTEN. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

Questions Submitted by Senator Kasten

THE WORLD BANK ANNUAL MEETING

Senator Kasten: I have a letter from the Sierra Club, on behalf of the U.S. environmental organizations working on environmental reform of the MDB loan policies, asking for your help in putting together a symposium at the time of the World Bank's annual meeting in Washington, D.C. on September 30th. I think that this is an excellent idea.

I hope that you agree that one of our most important jobs is to urge other World Bank member nations to join us in bringing environmental lending reform to the World Bank.

Will you agree to take the opportunity of the World Bank annual meeting in Washington, D.C. to host a symposium on the Bank's lending policies?

Ambassador Negroponte: The Department agrees completely that one of our most important jobs is to urge other World Bank member nations to join in bringing environmental lending reform to the Bank. As I noted in my prepared testimony, this is a prime objective of our current effort.

We are quite sympathetic to the desire of the Sierra Club and others to make maximum use of the upcoming annual meeting of the World Bank to engage other member countries on the subject of the environmental performance of the Bank. We have given considerable thought to how best this could be accomplished, and have discussed the matter at some length with our Treasury colleagues. Our conclusion is that the U.S. Government could probably most effectively convey the message via two mechanisms: reference to the issue and its importance in public statements of principals at the meeting, and a number of bilateral meetings with selected visiting delegations - especially from borrowing countries. In such a manner, we believe we can maximize the impact of our limited resources by conveying a well-designed message to all delegations, in addition to carefully targetted approaches to a small number of key member countries.

STATE DEPARTMENT ROLE

Senator Kasten: Since Public Law 99-190 was signed into law, how has the State Department revised its program to evaluate potential loans? What changes have been made in personnel and procedure?

Ambassador Negroponte: The OES Bureau, as the focal point for this effort, has one officer who spends almost all of his time on the MDB issue. In addition, we have requested an additional position for FY 87 which we would intend to dedicateto a significant degree to the subject. In response to the strong desire of the Congress, we have been participating actively in the

Working Group on Multilateral Assistance (WGMA), and also engaging in a broad range of other activities - many of which are enumerated in PL 99-190 - in close collaboration with Treasury and, where appropriate, the Agency for International Development. In sum, we have responded by elevating the MDB issue to a position of high priority within the overall work program of the OES Bureau.

CHANGES IN BANK PROJECTS

Senator Kasten: Have you seen any changes in the type of loans being acted on by the Banks since the legislation was signed into law? In addition, are the loans you see coming down the pipeline significantly changed?

Ambassador Negroponte: While it is difficult to quantify, we think the answer is a qualified "yes." It is fair to give the banks credit for taking the issue more seriously than in the past and for making a greater effort to examine carefully and integrate environmental issues into their projects. We see many projects these days which clearly incorporate careful environmental planning - or at least recognize the issues that are relevant. However, there is still a long way to go. Projects are in the MDB pipeline and early planning phases which raise issues of some concern. Projects already in the pipeline are, of course, often difficult to modify, especially if they have already been subject to substantial negotiation between a bank and a borrower; that is why it is so important in the long run to influence the project design process itself. It is going to take a continuing and concerted effort on the part of all of us - the Administration, the Congress, the non-governmental organizations, and interested parties in other member countries - to capitalize on the current momentum and change we can already see, and bring about permanent and broadly institutionalized project and policy modification.

WORLD BANK LOAN TO BOTSWANA

Senator Kasten: You have commented on beefing up your operations to review potentially adverse development projects. However, we understand that in early December documents were signed to provide funds for the Botswana III project. It is my impression that this project will have significant adverse environmental impacts. If you have made the kinds of reforms you believe are necessary, why did this project still get approval?

Ambassador Negroponte: Interagency review of the World Bank's National Land Management and Livestock Project (occasionally referred to as "Livestock III") principally took place before the OES Bureau became actively involved in the review of MDB projects for their environmental impacts. We cannot, of course, speak for other agencies concerning their role in assessing the project. However, it should be stressed that the interagency review process, including its "early warning" component, is a vital tool in the effort to move the MDBs toward better environmental performance.

The issue of livestock, wildlife, and the natural resource base in Botswana is very complex. Livestock clearly have significant negative impacts on wildlife, and overgrazing has occurred. Yet livestock ownership is a way of life in that country and probably always will be. During the intensive review of this project which has taken place in and outside the government in recent months, we have come to the conclusion that the World Bank loan contains some quite positive elements. Aspects of the loan represent significant departures from past approaches, which the Bank itself admits were seriously flawed. Specifically, the loan places a new and commendable emphasis on the importance of strengthening land management capabilities in Botswana. The current debate about the loan, and livestock in Botswana in general, has brought some additional interesting ideas forward, and we will be exploring them with the Bank in the months ahead.

Questions Submitted by Senator Specter

STATE DEPARTMENT ROLE

Senator Specter: Does the Department of State maintain an oversight role on the environmental conditions of nations to which we provide economic assistance? If so, is it a strong one? Should it be strengthened?

Ambassador Negroponte: An improved understanding of environmental conditions and trends is of great importance for assessing the costs and benefits, and long-term sustainability of proposed economic assistance projects. The Agency for International Development, with State Department support, has made a major contribution toward this goal through its program to prepare environmental profiles on key developing countries for use in policy formulation and project design by both development assistance agencies and host government officials. We are encouraged to see that the World Bank and other MDBs are deriving benefit from these profiles. Indeed, the World Bank is embarking on a trial set of even more detailed country environmental reviews on its own.

The environmental monitoring and assessment activities of the UN Environment Program (UNEP) are also making important contributions to the establishment of an improved environmental data base at the global, regional and national levels. In particular, UNEP's new Global Resources Information Database ("GRID") program, which is attempting to integrate a variety of natural resources and pollution-related data bases that are scattered among UN agencies, could well provide an important new tool. The World Bank is now tapping into GRID on a demonstration basis, and GRID officials are beginning to establish computer linkages with development planners in selected Third World countries.

Another noteworthy effort is the recent issuance by the World Resources Institute and the International Institute for Environment and Development of World Resources 1986. Not only will this help

provide, over time, a comprehensive overview of environmental conditions, but in the near term identify gaps in the current data base that require attention.

The State Department's approach is to encourage and support endeavors such as these. We do not believe it necessary to maintain a separate "oversight role" if this implies for the Department the maintenance of country-by-country information files and a separate analytical capability. We believe we are able to obtain rapidly necessary information from AID, private organizations and international institutions, supplemented by reports from State Department posts abroad, as appropriate. What is most important is that available information on environmental conditions and the implications of new development activities be systematically used by development institutions and country planners throughout the world.

Questions Submitted by Senator DeConcini

COMMERCIAL BANK LENDING AND ENVIRONMENTAL ISSUES

Senator DeConcini: Do commercial banks integrate environmental concerns in their lending policies to developing countries?

Can the State Department influence this at all?

Ambassador Negroponte: Commercial banks are profit-making enterprises. They should thus be concerned about the sustainability of the economic base of the countries in which they are active, in order to be repaid. I cannot, however, comment on the degree to which individual banks explicitly assess environmental issues and integrate them into their lending policies. Nor are we sanguine as to what the State Department could do to promote such integration where it may not currently be the norm. Our resources are already stretched thin, and in any event we clearly would have significantly less "leverage" over such banks than we have, for example, with the MDBs. The largest contribution the Department can make in this area, I believe, is to continue to work in international fora such as the UN Environment Program, with AID, and through appropriate bilateral contacts to encourage developing countries to become more aware of and concerned about the importance of themselves integrating environmental considerations into their development calculations and aspirations.

NONDEPARTMENTAL WITNESSES

WISCONSIN PANEL

WISCONSIN WILDLIFE FEDERATION

STATEMENT OF ROBERT LACHMUND, PAST PRESIDENT, WWF

INTRODUCTION OF WITNESSES

Senator KASTEN. Our next panel includes Mr. Rich and Mr. Lachmund.

Our first panel today consists of Bruce Rich of the Environmental Defense Fund, and Bob Lachmund, past president of the Wisconsin Wildlife Federation.

Mr. Lachmund, it is always a pleasure to have you, a friend and constituent from Wisconsin, testify. You have testified before me in other capacities in Wisconsin, most particularly in the effort that we are making in the Great Lakes, our Save The Great Lakes legislation.

I understand that you will be able to enlighten us on why international environmental protection is important to the United States.

Mr. Rich, I know that you have been traveling in Europe, trying to gain support for these efforts, so we also look forward to your testimony.

Let's begin with Mr. Robert Lachmund, past president of the Wisconsin Wildlife Federation.

Mr. LACHMUND. Good morning, Mr. Chairman.

I am Bob Lachmund, past president of the Wisconsin Wildlife Federation, and currently its representative to the National Wildlife Federation. Our organization, comprised of 6,000 Wisconsin citizens, is dedicated to the wise management of natural resources.

I appreciate the opportunity to appear before this subcommittee to discuss the concern of American citizens over the environmental impacts of projects funded by the multilateral development banks.

Your leadership, Mr. Chairman, has played a key role in focusing congressional attention on this issue. The Wisconsin Wildlife Federation would like to thank you for your continuing efforts in monitoring improvements in the environmental performance of the MDB's.

This subcommittee will hear today about the increasing international concern over the role MDB's have played in the environmentally destructive development in the Third World. However, I would like to remind you of how Americans feel about the problem.

WISCONSIN STANDING IN NATION

In the State of Wisconsin, people are very concerned with what happens to their land, water, and air. Wisconsin, at over $5 billion, was 18th in the Nation in the value of receipts and income from farming in 1983, according to the Blue Book of Wisconsin.

It was also No. 1 in the Nation in the production of butter and cheese; beans, green peas, and sweet corn for processing; beets for canning; kraut, and the production of mink pelts. Total value of the fur harvest, and by that I mean trapping, for the 1983–84 season was nearly $4.4 million, and the State issued nearly 2 million hunting and fishing licenses.

Over 8.8 million people used the State parks, 4.5 million the State forests, and 159,000 the various State trails. Wisconsin, it is clear, does have a great interest in the out-of-doors and clean air and water, for economic and recreational reasons.

LOSS OF WILDLIFE SPECIES

Even though Wisconsin is dependent upon healthy natural resources for its farm industry and recreation, we have had our problems, and those problems, I may add, are the same ones that will be faced by developing countries if long-term preventative measures are not taken. Loss of species, for instance, is one threat.

In Wisconsin, the passenger pigeon was lost because of deforestation when the hardwood forests, used for nesting sites, were cut down. The prairie chicken remains in the State today only in a remnant population, existing in areas specifically managed for its survival.

Indiscriminate use of pesticides and herbicides has threatened entire populations of birds and has, in certain areas, contaminated our underground water supplies. Our lakes and rivers have been poisoned by indiscriminate dumping of toxic materials, which, in turn, has lead to warnings on the consumption of fish from these waters.

OVER-DEVELOPMENT OF LANDS BETTER LEFT NATURAL

We have attempted to rectify the problems in our State by passing after-the-fact laws. However, it will take years and millions of dollars to clean up the excesses of the past. We feel that the developing countries should benefit from the experiences of the developed countries. MDB's and the governments of the developing nations should be made aware of the long term consequences of many well-intentioned, but misguided, development projects.

With proper planning and forethought, MDB-financed projects could avoid such problems as deforestation, with its resulting siltation of rivers and erosion of land, or improper pesticide use. The latter often results in increased pest resistance, as well as loss of birds and beneficial insects, and the possible contamination of groundwater.

MDB's and host governments should be aware that perhaps lands unsuitable for sustainable cultivation are better left in a natural state.

The people of Wisconsin empathize with the citizens of developing countries who must suffer the consequences of environmental degradation. We are also beginning to understand the effect this tropical degradation could have on us as a people who rely heavily on products of the tropics.

Many of our medicines, including effective cancer treatments, are developed from tropical plants. Wild cousins of corn, potatoes, and other important crop species provide us with the gene pool necessary for maintaining healthy agricultural strains. Even our industry will be impacted for it relies in part upon tropical resins and oils.

PULP SHIPMENTS INTO UNITED STATES

There are other, more subtle, examples. One consequence of MDB projects was brought to our attention just a few days ago, during an address to the Annual Meeting of the Wisconsin Wildlife Federation by Mr. Lawin, a member of the Natural Resources Board of Wisconsin. He stated that, partly as a result of MDB projects in the tropics and subtropics, pulp is being shipped into the United States. This has an impact on our own pulp industry, leading to less pulp cutting and more mature aspen forests, thus affecting deer and grouse populations. The tremendous amount of uncontrolled cutting going on in the developing countries makes it cheaper to ship pulp wood from Central and South America than to cut and ship it from inside the State of Wisconsin and Canada. This means Americans are looking not only at forest and wildlife problems, but also at losses in our pulp wood industry, while developing countries are faced with far-reaching and serious problems of deforestation.

We feel that it makes no sense to provide a loan and then either suffer huge losses and spend more money just attempting to rectify its environmental consequences. According to studies that we have read, no one is absolutely sure of the number of plants, trees, birds, and animal life in the tropics, or their exact functions in those areas. That, plus the fact that many species of migratory birds from North America winter in areas affected by these projects, leads us to believe that the projects will have an impact on our own bird population.

LEGISLATION TO IMPROVE MDB PERFORMANCE

It is for these reasons, Mr. Chairman, that the Wisconsin Wildlife Federation would like to express its support for your continued attention to the MDB issue. We congratulate you on the passage last year, as part of the continuing resolution for fiscal year 1986, of Senate Appropriations language calling for measures to improve the environmental performance of the MDB's. We urge that this legislation be strongly enforced. We also urge that the 19 recommendations made by the House Banking Subcommittee on International Development Institutions and Finance be implemented and rigidly adhered to by the multinational lending institutions.

The people of Wisconsin were lucky. We were able to recover our resources before the environmental degradation placed such recovery out of reach. In some developing nations, however, it may already be too late.

If this issue is not taken seriously by the MDB's and Third World governments, the tragic environmental degradation in developing nations could become America's tragedy as well.

Thank you, sir.

Senator KASTEN. Bob, thank you very much for coming here to testify, and for your testimony.

ENVIRONMENTAL DEFENSE FUND

STATEMENT OF BRUCE RICH, ENVIRONMENTAL DEFENSE FUND

INTRODUCTION OF WITNESS

Senator KASTEN. Our next witness is Mr. Bruce Rich representing the Environmental Defense Fund. I just wanted to say, it has been several years since you first testified before this committee, with a 5-minute testimony, as part of a group of 20 or 30 public witnesses. To think that we are now in a position where we had the kind of a statement from a representative of our Government shows progress.

Bob made a good statement as well, but from a representative of our Government, John Negroponte, just a moment ago, shows the tremendous amount of change that one person can begin. I think that you, as much as any other single person, are responsible for the efforts and the progress that we are making. We are not there yet, but we have come a long, long way, and for that effort you personally should be congratulated.

It is my understanding that you have been traveling in Europe, trying to get support and understanding for some of the efforts which now seem to be more and more understood by representatives of our Government and people who are serving in elected office.

We look forward to your testimony, and thank you for appearing here today.

Mr. RICH. Thank you, Mr. Chairman.

I appreciate very much the opportunity to appear here today to examine this very important topic: the growing concern in other nations, both developing and developed, with the environmental consequences of activities financed by the multilateral banks.

I am testifying today not only on behalf of the Environmental Defense Fund, but also on behalf of seven other national environmental organizations which together have more than 5.5 million members and supporters nationwide.

MULTINATION MEETING IN THE NETHERLANDS

I have just returned from a remarkable gathering in The Netherlands of more than 60 representatives from 29 nongovernmental organizations from nine different countries concerned with the adverse socio-cultural

and environmental impacts of development projects in Indonesia, particularly projects financed by the World Bank.

I might add that 13 of the organizations that were present were from Indonesia itself.

What is remarkable about the conclusions of these meetings that just took place this past Monday and Tuesday is that these groups, though their concerns are with the future of economic development in Indonesia, not just with the issue of environmental protection or conservation in the narrow context, have reached conclusions that in many ways embody the conclusions and recommendations that this subcommittee has set forth over the past 2 years, really, in report language and in legislative language accompanying our appropriations to the multilateral banks.

For example, these organizations have expressed, as a recommendation, or the suggestion that nongovernmental groups be included much more regularly in the planning and implementation of multilateral bank projects in the lesser developed countries.

They have, above all, urged that there is a need to promote a real shift in multilateral bank lending priorities, such that a much greater proportion of smaller scale, labor intensive, as opposed to capital intensive, projects, using alternative technologies are financed by the banks, as opposed to these very large scale projects that can cause massive destruction.

INDONESIA TRANSMIGRATION PROGRAM

Finally, Mr. Chairman, tremendous concern was expressed at this meeting in The Netherlands about the environmental, sociocultural impacts of the Indonesia Transmigration Program, which is being partially financed by the World Bank and the Asian Development Bank.

As you know, this is a huge Poloroneste type agricultural resettlement program, which has the goal of moving millions of people from Java to tropical forest areas in Borneo, Sumatra, and Western New Guinea. I think many people and organizations around the world have the fear that this could have the same disastrous results as Poloroneste, only on an even larger scale.

Mr. Chairman, I believe there is a convergence of thought going on among many concerned individuals and organizations around the world concerning the failures of development assistance over the past decade in many countries, that one is almost forced to conclude, in looking at the record of past failures, that the kinds of projects that result in widespread, unnecessary environmental destruction are also failures from a sociocultural and economic perspective.

The alternatives that many groups are urging the multilateral banks and other aid agencies to promote are not only more environmentally beneficial, they have the potential to create more jobs and further small scale enterprise, as well as to lessen the strangle-hold of centralized planning and government bureaucracy over economic development in many countries.

SARAWAK DAM IN MALAYSIA

In my prepared statement, I have referred to several examples of the growing concern, both in West European donor countries, for improved attention to environmental matters in the MDB's, and also in borrowing countries. To cite one example, in Malaysia, environmental groups, such as Friends of the Earth of Malaysia, and the Environmental Protection Society of Malaysia, have launched a national grassroots campaign to halt or redesign a proposed multi-billion dam in Sarawak.

The dam, for which the World Bank and the Asian Development Bank have already been approached for possible financing, would flood 700 square kilometers of tropical forest, forcibly displace more than 5,200 native people belonging to 11 communities.

Nongovernmental groups in Indonesia are extremely concerned that the banks' unquantified and underestimated will eventually outweigh overly optimistic expectations of benefits.

I think it will be clear, Mr. Chairman, from the statements of other witnesses today that concern for the environmental performance of the banks is not just a luxury. Above all, it is not a luxury or a concern of richer countries and societies. On the contrary, what is particularly striking about the nature of environmental problems in the developing world is that they can be literally a matter of life and death for the poor and the powerless.

CONCERN WITH WORLD BANK PROGRAMS

Inadequate attention to ecological concerns in multilateral bank financed projects is tragically undermining the resource base on which all future development depends. Although there has been some beginnings of progress in the regional development banks, notably the Inter-American and African Development Banks, the most important MDB, the World Bank, continues to do business as usual. It has stated publicly several times to the press that it sees no need to undertake additional measures, apart from those planned, to address environmental concerns.

This is a tragically shortsighted and arrogant stance. It is critical that this subcommittee and the administration continue and intensify their efforts to prod the MDB's into implementing much needed environmental reforms. I have cited several specific suggestions in my statement.

I would just like to conclude, Mr. Chairman, by noting that you have mentioned that you are going to request a meeting with the new President of the World Bank to discuss environmental issues. We hope that in this meeting, you can personally communicate the sense of urgency that many of the national environmental groups I represent feel about the need for the bank really to begin to take serious measures to change its actions and its performance in this area, and also to communicate that the bank's inaction is only resulting in growing harm to its image and its support worldwide.

Mr. Chairman, the eight environmental organizations which I represent today thank you for the initiative and leadership you have

shown over the past 2 years in promoting congressional and administration attention to environmental matters and the banks. As today's hearing dramatically shows, this is a tremendously important, but for too long neglected issue for more than two-thirds of the Earth's population and land surface that is found in developing countries. Thank you.

[The prepared statement of Mr. Rich follows:]

PREPARED STATEMENT OF BRUCE M. RICH

ON BEHALF OF

ENVIRONMENTAL DEFENSE FUND
ENVIRONMENTAL POLICY INSTITUTE
FRIENDS OF THE EARTH, U.S.
IZAAK WALTON LEAGUE OF AMERICA
NATIONAL WILDLIFE FEDERATION
NATIONAL AUDUBON SOCIETY
NATURAL RESOURCES DEFENSE COUNCIL
SIERRA CLUB

I. Introduction

Mr. Chairman, I appreciate very much the opportunity to appear before this Subcommittee today to examine a very important topic: the growing concern in other nations, both developing and developed, with the environmental consequences of activities financed by the multilateral development banks (MDBs). I am Bruce M. Rich, senior staff attorney at the Environmental Defense Fund (EDF). I am testifying today on behalf of eight national environmental organizations: EDF, the Environmental Policy Institute, Friends of the Earth, U.S., the Izaak Walton League of America, the National Audubon Society, the National Wildlife Federation, the Natural Resources Defense Council, and the Sierra Club. Together, these organizations have over five and a half million members and supporters nationwide. EDF has over 50,000 members and the the National Wildlife Federation four and one half million members. Friends of the Earth, U.S. has 20,000, the Izaak Walton League of America, 45,000, and the Natural Resources Defense Council 50,000 members. The National Audubon Society and Sierra Club have one half million members each. The Environmental Policy Institute is a non-membership environmental research and advocacy organization.

These national environmental organizations commend the chairman and the Subcommittee for calling this special hearing, which is one more example of the leadership role the Chairman and the Subcommittee have shown over the past two years in promoting improved attention by the Multilateral Development Banks to environmental concerns. This hearing is of particular importance, since the testimony of many of the witnesses today will underscore the growing concern outside the United States with MDB projects that are proving to be costly and unsustainable failures because of continued neglect of environmental concerns in their planning and implementation.

I have had the opportunity to visit a number of major donor countries to the MDBs over the past six months to discuss with government officials and representatives of non-governmental groups the environmental performance of the MDBs, and I can say that concern is growing. It is increasingly evident that inattention to environmental matters leads, quite simply to bad projects and bad loans. The national environmental groups I represent today have also been increasingly in contact with non-governmental groups in MDB borrower countries, and I will cite several instances where if anything the intensity of environmental concern is even greater than in the industrialized nations, since it is the people and the environments of the

developing countries themselves that are obviously most directly affected by the ecological negligence of the development banks.

I have just returned from a meeting in Holland of more than sixty representatives of non-governmental groups from seven different nations concerned with the adverse socio-cultural and environmental impacts of development assistance to Indonesia, particularly the lending priorities of the World Bank for that nation. I will give a brief account of the concerns expressed in that meeting, since they parallel remarkably the conclusions that have been drawn here in the United States after nearly three years of Congressional hearings and Administration concern with environmental aspects of MDB activities.I will then review signs of heightened concern in major donor countries in Western Europe about the need for improved attention to environmental matters in MDB projects. My testimony will also cite several examples of concern in developing countries about ongoing or prospective MDB projects. I'll conclude with several suggestions on how the United States can strengthen its efforts to prompt the MDBs to undertake needed environmental reforms, since the banks, and particularly the World Bank, have done little of substance to improve their environmental performance despite growing international concern.

II. Heightened Concern with Ecological Aspects of MDB Activities in Other Donor and Borrower Countries

A. Recent Conference and Recommendations of Non-Governmental Groups Concerned with MDB Projects in Indonesia

Mr. Chairman, I have just returned from a remarkable gathering of representatives of non-governmental groups from Indonesia, Holland, Australia, the United Kingdom, West Germany and several other nations where there is deep concern over the direction and impact of development assistance projects and policies in Indonesia, particularly those of the World Bank. These groups represent a large variety of interests, but mostly are development oriented in one sense or another. That is, they are concerned with promoting economic development that is more sustainable and equitable. The most important representation was from church groups and labor groups in several Western European countries, and from ten non-governmental Indonesian groups. I have enclosed a list of those groups that were present for the record.

The meeting I attended was the second time in less than a year these groups have met, and its goal was to influence the deliberations of the aid donors to Indonesia, who meet in the Hague every year to coordinate development assistance activities in that country. When they meet to coordinate Indonesian aid, these donors refer to themselves as the Inter-Governmental Group on Indonesia (IGGI). The United States Agency for Internatioal Development (AID) is a member of the IGGI, as well as the World Bank. The World Bank's policy influence and priorities are predominant in the IGGI, and the various country economic and planning documents the Bank prepares on Indonesia serve as the intellectual framework in which most planning for future development assistance to that nation takes place.

What is remarkable about the conclusions of the past two meetings of these non-governmental groups, Mr. Chairman, is that although their concerns are with the future of economic development in Indonesia--and not just with the issue of environmental protection or conservation in a narrow

context--these groups reached conclusions which are strikingly similar to the recommendations that have been set forth in the report language that accompanied the 1986 Senate appropriations bill for the MDBs and which were reiterated and expanded in the MDB environmental legislation passed last December 19th.

I would just like to cite some of these conclusions for the record:

"The [non-governmental] Conference has the honor to ask the IGGI Chairperson's attention to the following items:

" 1) For two decades, Indonesian development management has sought to strengthen state bureaucracies responsible for centralized development planning and actions....It is...clear that this approach has not sufficiently benefitted the masses of the poor. It has established more problematic dependency by district/province on central government resources. For this reason commitments should be promoted to a wide range of new programs, dencentralized in nature, aimed at getting benefits of development to the people as quickly and directly as possible, for example in the fields related to:

.....

b) development of employment opportunities,

c) the impact of development on the environment,

.....

f) people's participation in the development process...."

The meeting of the non-governmental groups also concluded that

" Promoting capital intensive investiments...is not adequate to solve the problem of massive and still growing unemployment and underemployment. Policy recommendations can be made in this respect

" a) to create more opportunities for the informal sector and small-scale enterprise activities both in rural and urban areas, by taking them into account in national development planning...

" b) to promote NGOs' role and that of other professional groups as local catalysts to encourage the bottom up approach in develoment planning and in organizing the informal sector and small scale enterprise."

One can see that these recommendations are very similar to those of the Subcommittee concerning the need to involve non-governmental groups in the planning and implementation of MDB projects and the need to promote a shift in MDB lending priorities such that they finance a greater proportion of environmentally beneficial, less capital intensive, small scale projects using alternative technologies.

Finally, Mr. Chairman, tremendous concern was expressed about the environmental and socio-cultural impacts of the Indonesia Transmigration Program, which is being partially financed by the World Bank and Asian Development Bank. As you know, this is a huge Polonoroeste-type agricultural resettlement program which has the goal of moving millions of people from Java

to tropical forest areas in Borneo, Sumatra and western New Guinea. In my testimony before this Subcommittee for FY 1987 appropriations to the MDBs I discussed the problems associated with this huge resettlement scheme in detail. Other witnesses today will also discuss the tremendous environmental risks associated with Transmigration.

One conclusion I drew, Mr. Chairman, from the concerns expressed at this conference of non-governmental groups was that there is a convergence of thought going on among many concerned individuals and groups about the failures of development assistance over the past decade in many countries. One of the major conclusions that one is almost forced to reach in looking at the record of past failures is that the kinds of projects that result in widespread, unnecessary environmental destruction are also failures from a socio-cultural and economic perspective. The alternatives that many groups are urging the MDBs and other aid agencies to promote are not only environmentally more beneficial, they have the potential to create more jobs and further small scale enterprise, as well as to lessen the stranglehold of centralized planning and government bureaucracy over economic development.

B. Growing Concern in West European Donor Nations

From October 8 to November 8, 1985 a colleague of mine, James Barnes, and I visited six major West European countries to discuss the substance of the environmental reforms in the MDBs called for in Section 540 of H.J. 465. We met with senior civil servants in finance and foreign aid ministries, members of national parliaments and legislatures as well as with non-govermental organizations and officials of the European Community and members of the European Parliament. In preparation, copies of what was then the proposed legislation of this Subcommittee concerning the MDBs and the environment were mailed out to many of the individuals we met with last August and the Treasury and State Departments cooperated in sending a cable to U.S. Embassies in the countries we visited to facilitate our meetings with key government officials and politicians.

It proved possible to meet with finance and/or foreign aid ministry officials with policy responsibilities for the MDBs in the Federal Republic of Germany, the United Kingdom, Denmark, the Netherlands and Belgium, and with representatives of environmental and indigenous peoples' rights groups in these same countries. We presented the measures proposed in the environmental legislation of the Subcommittee as substantive points that could be a basis for an international, non-political effort to promote environmental reforms in the MDBs.

The environmental reform measures set forth in the legislation were received positively by officials in the Finance ministries of Holland, Belgium and Denmark and by officials of the Ministry for Economic Cooperation in West Germany (the lead ministry in that country for the MDBs) as well as by officials in the British Overseas Development Administration (which, along with the British Treasury, gives instructions to the U.K. MDB Executive Directors). In the Federal Republic of Germany, Holland, Belgium, Denmark, as well as in the European Parliament we met with members of national parliaments and legislatures of differing political persuasions--conservative, liberal and "green." Their response was uniformly positive to our requests for assistance in utilizing the domestic political process to help convince finance and foreign aid ministries to

support the major points in the Subcommittee's legislation. We discussed the need to bring a halt to funding environmentally destructive projects, to promote increased financing of environmentally beneficial projects, and to raise the general level of public awareness about these issues.

One common, and somewhat disturbing theme that emerged last autumn in the course of our meetings with government officials charged with MDB policy matters is that they had very little resources or time to review MDB policies and projects from not only the environmental but also other perspectives. In several donor countries finance and foreign aid ministries noted that they received MDB project appraisal reports often only two or three days before projects were to come up for approval before the banks' boards of directors. They also noted that the Executive Directors themselves were understaffed to adequately evaluate the enormous amounts of information contained in specific project documents. Obviously, independent evaluation of possible adverse aspects of projects could only occur if information were provided in a timely fashion by outside sources such as non-governmental environmental groups.

We therefore think that there is a dangerous lack of accountability of bank management and staff for environmental and other impacts of projects One way of remedying this would be to open up access to information on prospective projects to non-governmental groups in borrower and donor countries.

In the course of our discussions in October and November it became clear that at that time the U.S. government had not employed the most effective fora or mechanisms to send clear signals about the importance of the Subcommittee's recommendations, nor had it requested other donor nations to support the measures proposed in the legislation. A number of European government officials offered constructive suggestions as to how the appropriate signals could be sent in the near future, and expressed their probable support for such an international effort. Two of the most frequent suggestions we heard was that the U.S. could raise the matter of the MDBs' environmental performance and ways to improve it in forthcoming meetings of the G 5 and G 6--meetings at which representatives of the leading five or six Western industrialized countries discuss various international economic issues, including matters relating to the MDBs--and in the meetings that will take place over the coming year to discuss prospective MDB replenishments and capital increases.

I am pleased to report, Mr. Chairman, that both the Treasury and State Departments are beginning to take initiatives in this direction--spurred by passage of the legislation last December 19th--and that a Treasury Department representative did indeed raise the MDB environmental issue at the last meeting of the G 6 in Paris in January. This is one example of the encouraging concern for MDB environmental matters that appears to be increasing in the Executive Branch. However, continued oversight by the Subcommittee in this regard is essential to ensure that efforts to raise these issues with other donor countries do not flag.

C. Increasing Concern in Borrower Countries

Clearly, the next step is also to engage more closely a dialogue with government officials and non-governmental groups in the borrowing countries concerning the proposals set forth in the Subcommittee's recommendations. From the non-governmental side,

this is already beginning to occur. Non-governmental environmental groups such as the ones I represent are increasing their ties with non-governmental groups in developing countries. In Brazil, a number of non-governmental environmental and indigenous peoples' rights groups were instrumental in providing groups in the U.S. with independent information on extremely serious environmental and Indian lands' problems in Northwest Brazil associated with ecologically disasterous settlement and road construction projects financed by the World Bank and the Inter-American Development Bank.

Increasingly, non-governmental groups in India are expressing concern over environmentally destructive projects in that country, a substantial number of which have been financed by the World Bank. These groups have contacted U.S. environmental organizations requesting assistance and information, particularly concerning the World Bank financed Narmada River Irrigation and Area Development Program--a huge scheme whose initial stage alone involves the forced relocation of nearly one hundred thousand people, mainly tribal minorities. A number of these Indian groups have also received copies of Section 540 of H.J. 465 and are particularly heartened by the provision calling for the U.S. MDB Executive Directors to promote greater involvement of NGOs in the planning and preparation of environentally sensitive projects.

In Malaysia, environmental groups such as Sahabat Alam Malaysia (Friends of the Earth Malaysia) and the Environmental Protection Society of Malaysia have launched a national grass roots campaign to halt and/or redesign a proposed multi-billion dollar dam on the Bakun rapids, in the Balui River in Sarawak. The dam, for which the World Bank and Asian Development Bank have already been approached for possible financing, would flood 700 square kilometers of tropical forests and forc bly displace more than 5200 native people belonging to eleven communities. Its total cost is estimated to be upwards of four billion dollars. To obtain the necessary financing for this single project, it is estimated that Malaysia may have to increase its foreign debt by more than 20%. The dam will also flood 30,000 acres of currently productive farmland, and risks the spread of water borne, parasitic diseases such as shistosomiasis and malaria. There is widespread suspicion that the dam's unquantified or underestimated costs will eventually outweigh overly optimistic expectations of benefits.

Friends of the Earth Malaysia has already collected over 3000 signatures of residents of the dam area on a petition opposing the Bakun project. I have attached to my statement for the record some addtional information on the Bakun project. Since the MDBs have not yet approved loans for this scheme, this is ore instance where concerted attention and pressure by the U.S. and other MDB Exectutive Directors could avert an environmental and sociological tragedy.

Finally, Mr. Chairman, we have recently learned that the management of the multilateral development bank with the least amount of resources--the African Development Bank--appears to view the link between ecological deterioration and economic decline with more urgency and seriousness than its much larger and more influential sister institution, the World Bank. The African Development Bank is launching a long term study project that, in its own words, is "aimed at sensitizing African and international opinion to the grave danger of ecological deterioration, assisting regional member countries to evolve environmentally-based development strategies, and drawing the implications for the A[F]DB's own operational policies." The first step in this project was a seminar given by the Worldwatch

Institute at the African Bank on April 15 and 16. I have enclosed a Bank memorandum on this project for the record.

It is cruelly ironic that while the World Bank is continuing to finance ecologically unsound projects such as its recently approved Third Livestock Project for Botswana, the African Development Bank is now initiating studies to examine the relationship between environmental destruction and economic decline.

III. Conclusion

Mr Chairman, I think it will be clear from the statements of the other witnesses today that there is very great, and growing, concern in many other nations about the need for the multilateral banks to do a much better job in addressing environmental concerns in all of their activities. This concern is not a luxury of richer countries and societies--on the contrary, what is particularly striking about the nature of environmental problems in the developing world is that they can be a matter literally of life and death for the poor and the powerless, and that inadequate attention to ecological concerns in MDB financed projects is tragically undermining the resource base on which all future development depends. The ecological negligence of the MDBs is truly a negative sum game, in which everyone--borrowers, donors, and the biosphere--loses.

Although there are beginnings of progress in some of the regional development banks, notably in the Inter-American and African banks, the most important MDB, the World Bank, continues to do business as usual and has stated publicly several times to the press that it sees no need to undertake additional measures to address environmental concerns. This is a tragically short-sighted and arrogant stance.

It is critical, then, that the Subcommittee and the Administration continue and intensify their efforts to prod the MDBs into implementing much needed environmental reforms. I will conclude my statement with a number of specific suggestions.

Other witnesses today will discuss in more detail the environmental and socio-cultural problems in a number of recently approved MDB projects that are a matter of increasing international concern and protest. Two programs in particular that we have indicated are of special and immediate concern are the World Bank-financed Indonesia Transmigration and India Narmada River Development schemes. In my statement before this Subcommittee concerning Fiscal Year 1987 appropriations for the MDBs I also discussed these projects in some detail. I can only reiterate the need for the Subcommittee and the State and Treasury Departments to scrutinize and monitor these projects.

One thing in particular has struck me in recent discussion with foreign non-governmental groups and academic research institutions directly concerned with MDB financed projects in their countries: they have little or no access to information on these multilaterally financed activities--which will affect their lives much more directly than the development bureaucrats that plan the projects. Mr. Chairman, greater access to information on MDB projects by concerned and affected interests could do much to improve the quality of MDB lending. The banks withhold information on projects from the public and in some cases from national legislatures in member countries. Rare public discussion of projects prompts the MDBs to fear criticism and take a posture which is often perceived as defensive,

uncommunicative and arrogant. But early public discussion should instead be seen as an opportunity for dialogue and the development of information and ideas which could improve the quality of MDB lending. We realize that this question is not a simple one, since the MDBs maintain that greater public access to information would undermine their relationships with some host countries. Nevertheless, we think the present situation could be much improved without impinging on essential mattters of confidentiality between the banks and member nations. Further investigation is needed, through Congressional hearings or inquiries to the Treasury Department to identify ways in which access to information on MDB activities could be increased for national legislatures, NGOs, and academic bodies in both developing and developed nations.

There is one very specific measure relating to the African Development Bank that the Subcommittee could pursue. We understand that the Agency for International Development recently approved a grant of fifteen million dollars to that institution for technical assistance and institution building over a five year period. Much of this money has not yet been targetted for specific activities or for the hiring of specific staff. We would suggest that the Subcommittee pursue through the State Department and the Administrator of AID and the Assistant AID Administrator for Africa the possibility of targetting a substantial portion of those funds for the hiring of technically and professionally trained environmental staff. This support would enable the African Bank to effectively implement the ambitious strategic and operational changes outlined in its study project on ecological deterioration and economic decline, which I referred to earlier in my statement.

We think that the State and Treasury Departments need to continue and intensify their efforts not only to call the attention of other donor nations to the need for improved environmental performance by the MDBs, but also undertake similar initiatives with major MDB borrowers. One particularly propitious occasion for doing this will be the annual World Bank- IMF meeting that will take place in Washington in late September and early October of this year. The Sierra Club, on behalf of a number of the environmental organizations I represent today, has sent a letter to the Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs suggesting that the State and Treasury Departments facilitate a symposium which would be held at the time of the Bank- Fund annual meeting to brief delegates from both donor and borrower countries on U.S. concerns with the environmental performance of the World Bank, and to inform delegates of initiatives the U.S. seeks to promote in cooperation with other nations to reform the World Bank's approach to these issues. At such a symposium we would hope that there would also be representatives from the Senate and the House, as well as from both U.S. and foreign non-governmental organizations. We hope, Mr. Chairman, that you can take an active role in spurring the Administration to respond positively to this request, since the annual meeting next autumn represents a unique opportunity to raise these issues with delegates from more than 150 countries. I have attached for the record to my statement a copy of the Sierra Club letter proposing this symposium.

Finally, Mr. Chairman, you mentioned in the hearings concerning FY 1987 MDB appropriations that you will be requesting a meeting with the new president of the World Bank to discuss environmental issues. We commend you for this initiative. We wish to reiterate our sense of the urgency of the need for the World Bank to put a higher priority on, and commit more resources to, addressing environmental matters in its activities. This becomes even more compelling in light of the growing international

concern that this hearing documents. We hope that in your meeting with the new World Bank president you will communicate this sense of urgency. The Bank should be made aware of the growing harm to its image and worldwide support caused by its continued neglect of ecological matters.

The eight national environmental organizations I represent today thank you, Mr. Chairman, for the initiative and leadership you have shown over the past two years in promoting Congressional and Administration attention to environmental matters in the MDBs. As today's hearing dramatically shows, this is a tremendously important, but for too long neglected, issue for the more than two thirds of the earth's population and land surface that is found in developing countries.

That concludes my prepared statement. Thank you very much.

MINISTRY OF FOREIGN AFFAIRS
DANIDA
Danish International Development Agency

Mr. Bruce Rich
Environmental Defense Fund
1616 P Street, NW
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___ Encl Div D.2. Ref 73.C.27/n/1. Date February 19, 1986

When replying, please write Div. on envelope

Dear Mr. Rich,

Please refer to your and Mr. Barnes' letter of January 6, 1986 to the chairman of the Board of International Development Cooperation, Mr. Christian Kelm-Hansen, concerning the US legislation on reforms in the Multilateral Development Banks in the field of environmental policies.

I take pleasure in informning you that Denmark agrees that environmental aspects should be taken fully into account in the planning and implementation of development projects. Together with the other Nordic countries we are considering these questions with a view to lending our support to the improvement of procedures in this area in the Development Banks, and in particular the World Bank.

I remain,
yours sincerely,

Bjørn Olsen

Ministerie van Financiën | Generale Thesaurie

DIRECTIE BUITENLANDSE FINANCIELE BETREKKINGEN

Bruce Rich
Environmental Defense Fund
1616 P Street, N.W.
Washington, D.C. 20036
USA

Uw brief van kenmerk	Ons kenmerk	Doorkiesnummer	's-Gravenhage
	386-791		February 28, 1986

Onderwerp

Thank you for your letter of January 6. The material is being studied by officials in the Ministry that is primarily concerned with environmental matters. I have asked them to draft a brief instruction to our Executive Director on this issue.

As I indicated to you in October projects are being scrutinized by our Executive Office in Washington. In The Hague we will look at a project only in very exceptional cases. Such cases occur when our Executive Office decides that the project involves issues about which new instructions from the Hague are needed. This procedure is made necessary by the fact that manpower to be spent on issues regarding the MDBs is rather limited. Therefore, we do not have the possibility to spend large amounts of time on every aspect of MDB policies and procedures. Rather, we carefully select our Executive Directors, to whom we then delegate the authority to use their discretion in deciding whether or not certain issues should be raised or supported by our chair. For further discussions on environmental implications of Worldbank projects I therefore would like to refer you to our Executive Director, dr F. van Dam.

A copy of this letter will be sent to mr Veening of the IUCN.

With warm regards,

Jos de Vries,
Chief, International Coordination and
Development Corporation Division

ME
...istère des Finances
de Belgique

TRESORERIE

N
D

ANNEXE :

...s la réponse, mentionner les
indications ci-dessus

Bruxelles, le 2[illegible]-[illegible]-1986

MM. Bruce Rich and Jim Barnes
Environmental Defense Fund
1616, P Street, N.W.

WASHINGTON, D.C. 20036

U.S.A.

Dear Sirs :

Thank you for your letter dated January 6, 1986 and its enclosure concerning the US legislation which has recently been approved by the Congress on measures designed to foster the environmental aspects in the multilateral development bank's activities.

First, I have to apologize for my late answer due to some travels abroad since the beginning of the year.

After your visit in Brussels during October 1985 I reported back to the Minister of Finance on the discussions I had the pleasure to have with you on how to take more into account the environmental aspects in the projects financed by external assistance.

Meanwhile, the World Wildlife Fund - Belgium contacted our new Minister of Finance, M. Mark EYSKENS, in order to inform him of the action of the Natural Resources Defense Council in this regard, and in particular of a reform program for the World Bank.

The Minister of Finance responded that he would call the attention of the Belgian representatives in the multilateral development banks to the environmental problems related to the activities of these institutions.

Sincerely yours,

J[illegible] ARNOLDI,
Conseiller.

BUNDESMINISTERIUM
FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT

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Fernruf 5351 App 767
Durchwahl 535

212 - E 6028 (261) - 12/86

Bonn, den 22nd January 1986

Mr. Bruce Rich
Mr. Jim Barnes
Environmental Defense Fund
Threshold, Inc.
1845 Calvert St. NW

Washington, D.C. 20009

Dear Mr. Rich, dear Mr. Barnes,

I thank you - also on behalf of Mr. Daniel - for your letters dated 6th January. We read with interest the enclosed copy of the US-legislation.

In our meeting October last year we tried to explain that in the framework of our cooperation with developing countries environmental aspects of projects and programs are being taken care of for some years already.

The German Executive Director in the World-Bank is well aware of the high importance of those aspects. Therefore we do not find a special operating instruction to be necessary. We take it for granted that he will support in a constructive way every suggestion for improvement that will be presented on the basis of the above-mentioned legislation.

Also on behalf of Mr. Daniel I wish you all the best for your further efforts.

Yours sincerely,

Uwe Henrich
For the Minister

AFRICAN DEVELOPMENT BANK — BANQUE AFRICAINE DE DEVELOPPEMENT

INTER-OFFICE MEMORANDUM

TO : ALL PROFESSIONAL STAFF,
PPLR, OARD, OISI
OCRW, OCRN, OCPU

Date 8 April 1986

FROM : T. GEDAMU
Director, PPLR

SUBJECT : SEMINAR ON ECOLOGICAL DETERIORATION AND ECONOMIC DECLINE IN AFRICA, 15 and 16 APRIL 1986

On the afternoons of 15 and 16 April, 1986, beginning at 3.00 p.m., each day, there will be a seminar on the above-mentioned subject in the Conference Room of the 13th Floor. The seminar will be based on hypotheses linking changes in Africa's ecology, climate and economy. The leading paper will be Reversing Africa's Decline, by Lester R. BROWN and Edward WOLF of the Worldwatch Institute, Washington, D.C. The paper will be presented by the two co-authors. The principal discussants will be Professor Thomas ODHIAMBO of the International Centre of Insect Physiology and Ecology, Nairobi, and Mr. Andrew SUNDBERG of Consultex, Geneva. After the discussants, the floor will be open for ADB staff and others from outside. Discussion will continue in the afternoon of 16th.

The seminar will be a beginning of a long-term study project which the ADB plans to initiate, aimed at sensitizing African and international opinion to the grave danger of ecological deterioration, assisting regional member countries to evolve environmentally-based development strategies, and drawing the implications for ADB's own operational policies. 1 2 3

You are cordially invited to attend and participate.

cc: The PRESIDENT
All Vice-Presidents
Executive Directors
Heads of Department and Deputy Directors
Division Chiefs
All other Professionals
Secretary-General (for interpretation services and room reservation).

11/4/86

SEMINAR ON ECOLOGICAL DETERIORATION AND ECONOMIC DECLINE IN AFRICA

1. There is accumulating evidence that Africa's environmental capital (its soils, its water, and its forests) is deteriorating at an alarming pace. Pressure of population (both human and livestock) on resources is one major reason. The problem has become so serious that given the present rate of degradation in soil, water, and forest potential, many countries (particularly those around the Sahel) will soon lose their capacity to support human and livestock populations at currently low levels of income. While it is true that there is increasing awareness of the problem, public opinion and governments in Africa are not yet sufficiently aware of its gravity. There is an urgent need for African countries and the international community to quickly focus attention on the problem.

2. The African Development Bank and other institutions have an important role to play in (i) sensitizing African and international opinion to this grave danger, (ii) assisting countries to develop long-term strategies for rational environmental protection and utilization, and (iii) helping with the mobilization of the resources to put these strategies into effect. As a response to (iii), the African Development Bank is organizing a two-afternoon seminar to have an intensive discussion of the various issues involved and to help guide the Bank as to what specific steps it could take next. The seminar will be chaired by Mr. S.A. OGUNLEYE, Vice-President for Planning and External Relations.

3. The first afternoon of the seminar (15 April) will be devoted to a general exchange of views. The discussion will revolve around Worldwatch Paper No. 65 entitled Reversing Africa's Decline. The authors, Lester R. BROWN and Edward WOLF, will

provide an exposé of the paper's central thesis. Three discussants, Andrew SUNDBERG, Thomas ODHIAMBO, and Lloyd TIMBERLAKE will provide brief comments on this thesis. They will in particular examine the extent to which the following hypothesis expressed on page 69 of the paper can be taken as a guide for action, i.e. "If the economic decline affecting Africa is to be reversed, each country will need an environmentally-based development strategy". The floor will then open to questions and answers.

4. On the second afternoon, discussion will focus on the specific actions to be taken, including recommendations on the nature and scope of a study which ADB might sponsor to sensitize African opinion to this grave danger as a prelude to action. The study might present a 25 to 50-year set of projections of Africa's natural environment (soils, forests, etc.) to portray in graphic terms the serious deterioration in these resources which might occur if current trends are allowed to continue. Discussion will be spearheaded by the two authors and three discussants who will give their views on what should be done next; and in particular on what the study might cover and how it might be prepared with the view of inducing governments and the public into action.

5. Alternatives to the study might also be explored. Other than the study, are there steps the ADB might take towards the objective of sensitizing African opinion and inducing action? If so, what are they?

6. A summing up of the results of the seminar would be made by Vice-President OGUNLEYE.

DEPARTMENT OF THE TREASURY
WASHINGTON

February 27, 1986

Dear Mr. Rich:

You asked the Treasury staff to inquire about a possible MDB role in financing a hydro power project in the Bakun region of Malaysia.

We have learned that a feasibility study financed by the Federal Republic of Germany has been completed on the project and that the apparent conclusion is that the project is technically and economically feasible.

The World Bank and the Asian Development Bank have been approached regarding possible financing and would consider such a role only if more thorough study indicates technical, financial, economic and environmental viability. The Government has made no decision regarding sources of financing but has initiated technical design studies.

Given the environmental dimensions and the potential complexity of a resettlement program, it would seem highly advisable to implement appropriate environmental safeguards and resettlement activities well before construction begins, if the project were eventually proven desirable in other respects. Clearly, the direct and indirect costs of environmental and resettlement aspects of the endeavor would have to be weighed in reaching any conclusion about project viability.

Thank you for bringing this project to our attention. We shall stay in touch with you, as events occur.

Sincerely,

Frank G. Vukmanic
Director
Multilateral Development
Banks

Mr. Bruce Rich
Environmental Defense Fund
1616 P Street, N.W.
Washington, D.C. 20005

CONCERN BY BORROWER NATIONS

Senator KASTEN. Mr. Rich, thank you.

You mentioned that you had spent a good deal of your time talking to other donor nations, and that you were in Europe, and that you noticed significant changes, and that is good news.

Have you, or has someone else been in touch with officials of borrower nations on this whole set of issues?

One of the points that Secretary Negroponte made is that we have to recognize that the old, short-sighted policy is not working; it is not

good for either the donors or the borrowers; and that in the end everyone loses.

Have you, or anyone else, been in contact with the borrower nations on this issue, and can you tell us what you think is happening to the people who are at the receiving end of some of these different aid projects?

Mr. RICH. I think there is growing concern. I think, clearly, this is the next step in this whole effort. The U.S. Government, in particular, should start taking more initiative to contact high level officials responsible for MDB policies and leading borrowing countries.

MEETINGS IN INDONESIA AND MALAYSIA

I might add that a colleague of mine, James Barnes, is visiting Indonesia and Malaysia this month, to meet with both nongovernmental groups and with government officials in those two countries, to discuss the environmental impacts of MDB projects, and the need for reforms. I understand that the State Department has sent out a cable to our embassies in those two countries to help facilitate meetings of Mr. Barnes with people in Malaysia and Indonesia responsible for the participation of those countries in the MDB projects.

DEVELOPMENT ACTIVITIES IN BRAZIL

So there is concern in borrowing countries. I might add that in some instances, such as in Brazil, these countries have taken initiatives on their own, partially as a result of the hearings that have taken place in the United States. The Brazilian Congress Science and Technology Committee scheduled a hearing last summer to look at the Poloroneste project, and the implications of other development activities in the Amazon. I think we can say that this is as a direct consequence of the attention that has been focused in the United States on it.

PROGRESS REPORTS

Senator KASTEN. I might ask you to keep us informed of the progress or other facts that Mr. Barnes, or others, might come up with or develop as a result of the visits that you are describing. I think that that would be helpful to us in terms of building an overall record, and also helpful to us just in terms of providing us with the information.

I know that you and others, including the people that you represent here today, have spent a lot of time thinking about possible other steps that could be taken, either legislatively or administratively. Are there additional legislative steps which you believe this committee could or should consider to continue the process that, I think we now all recognize, No. 1, is going in the right direction; and, No. 2, would assist in developing a strong consensus, particularly in this committee and in the Congress?

Mr. RICH. There are a number of things that come immediately to mind. I mentioned the need for the administration, the State and Treasury Departments, to contact not only donor, but borrowing countries.

The second thing, which I think is of great concern to many of the witnesses who will testify today, is the stranglehold on information on prospective multilateral development bank projects that these banks maintain. We think that freeing up more information on prospective projects to concerned groups and organizations in the developing world can only improve the quality of multilateral bank lending. Unfortunately, the banks often react in a very defensive way, and they are very uncommunicative, and come across as arrogant in their reluctance to discuss publicly with even the individuals and organizations in countries that are directly affected by these projects that are planned.

I think that this whole question of greater access to information is very important. Again, as I said, this could only result in greater inputs to the World Bank staff and other MDB staff to improve the quality of these projects.

AFRICAN DEVELOPMENT BANK GRANT

There is a very specific measure relating to the African Development Bank that has come to my attention that the subcommittee could pursue. We understand that the U.S. Agency for International Development recently approved a grant of $15 million to that institution for technical assistance and institution building over a 5-year period, and much of this money has not yet been targeted.

Clearly, this is one example or one instance where perhaps the subcommittee could have some influence in seeing that a substantial portion of those funds are targeted for environmental training and inclusion of environmental staff in the African Development Bank.

I have some other ideas, but perhaps the best way would be for me to submit, after the hearing, these matters in writing.

Senator KASTEN. Thank you, and we will consider following up with the African Development Bank.

PULP IMPORTS FROM SOUTH AMERICA

Mr. Lachmund, you made the connection, and I just want you to develop it a little bit more, about pulp coming from certain projects in South America. What is the connection in trade between Wisconsin and the developing nations?

Are we in fact making mistakes not only for the developing nations, but in the end also for Wisconsin?

Mr. LACHMUND. As I stated in my presentation, this is a fact that came to light only during the last weekend. To what extent the pulp is coming in, I do not know at the present time. We are concerned naturally because we do have a lot of industrial forests, forests which are raised primarily for pulp wood.

We have our private pulp industry in the State of Wisconsin and we do have, I believe it is the first or second highest deer kill in the Nation. If you have a mature forest, you have the problem of game management, the game disappears. Grouse will disappear, bird life. This concerns us as outdoor people in the State of Wisconsin.

Just how much of an impact these logs coming in from these projects will affect the State of Wisconsin, I do not know because at the present time, to my knowledge, only one company is using it. However, in the immediate area, there are four or five other papermills, and if they go to these wood products, it will have a definite impact both on the economy and the sporting recreational business of Wisconsin.

SUBMITTED QUESTIONS

Senator KASTEN. Let me thank both of you for your testimony here today, and for your response to our questions. There will be additional questions that will be submitted to you for the record, and we would hope that you could get back to us within 2 weeks with answers to those questions.

We thank you very much, and we look forward to working with you.

[The following questions were not asked at the hearing, but were submitted for response subsequent to the hearing:]

QUESTIONS BY SENATOR ARLEN SPECTER TO BRUCE RICH

ENVIRONMENTAL FACTORS IN MDB LOANS

Senator Spector: To what extent do Multilateral Development Banks (MDBs), such as the World Bank and IMF, take into consideration environmental as well as economic factors when making loans to developing nations?

Mr. Rich: All of the MDBs have made official, public policy commitments to systematically incorporate environmental factors into their consideration of loans for developing nations. Numerous studies, including nine Congressional oversight hearings held since 1983, indicate that in reality the banks are not adequately taking into account environmental factors in preparing and implementing loans. In some MDB lending programs the degree of environmental negligence is so great that the economic viability of entire series of loans is completely undermined. The most notorious example of neglect of environmental problems leading to economic debacle is the Polonoroeste Program in Northwest Brazil, a huge agricultural resettlement program for which the World Bank lent Brazil $434.4 million. The World Bank halted disbursements on these loans in early 1985 pending actions of the Brazilian government to resolve the disastrous environmental problems the project was encountering.

The International Monetary Fund (IMF), while not in the strict sense a Multilateral Development Bank, shares many similarities with these institutions in its structure and operations. The conditions attached to IMF loans are macroeconomic in nature and can have far-reaching implications and impacts on environmental conservation and management of natural resources in developing nations. The IMF makes no effort, either in policy or practice, to take into account environmental and natural resource factors in formulating the conditions for its loans. The national environmental groups I represent believe this is a very serious and up to now completely neglected aspect of U.S. participation in the IMF. We urge the Senate and this Subcommittee to consider investigating the environmental implications of IMF activities in more detail, perhaps through a special hearing.

ENVIORNMENTAL CONDITIONS ON LOANS

Senator Specter: Is it feasible to make these loans contingent on the environmental impact of their use?

Mr. Rich: It is certainly feasible for the MDBs and IMF to make their loans contingent on adequate consideration of environmental matters. The MDBs in some instances already include implementation of certain environmental management and mitigation measures as conditions on disbursements of loans for projects. The problem is that many more projects with significant environmental implications are not designed with such conditionality. Another problem that has arisen is that even where environmental conditions are present in loan agreements between the MDBs and borrowing countries, the MDBs have not enforced in a timely or adequate fashion these conditions.

Although it is not legally possible for the United States to

directly require that the management of the MDBs incorporate and enforce stricter environmental conditions in their loans, the U.S. can require the U.S. Executive Directors on the Boards of these institutions to actively and vigorously promote such loan conditions, and to vote against loans for environmentally sensitive activities that do not adequately take into account environmental concerns.

QUESTIONS BY SENATOR DENNIS DECONCINI TO BRUCE RICH

POSITIVE ENVIRONMENTAL RULE OF MDBS

Senator DeConcini: What do you believe are the positive aspects of Multilateral Bank (MDB) Lending Policies in terms of thorough consideration of environmental protection?

Mr. Rich: Although the MDBs on the whole are doing an inadequate job in addressing environmental concerns in their loans, they have demonstrated on occasion that when they commit adequate resources and political will to these issues they can play a positive role in promoting better management of the environment and natural resources in developing nations. I would just like to cite for the record one recent example--the Inter-American Development Bank (IDB) loan for road construction and improvement in the state of Acre in Northwest Brazil. When this loan was approved by the IDB's Board in January, 1985 the United States Executive Director abstained on environmental grounds, since hasty construction of the road without implementation of environmental protection measures risked repeating the environmental debacle occurring in the World Bank financed Polonoroeste project in the neighboring state of Rondonia. To its credit, the IDB has not disbursed any funds on this loan over the past year and one half pending preparation of an adequate environmental and Indian lands protection plan by the Brazilian authorities. The IDB's strong stand has greatly increased the chances that the state of Acre may be spared the uncontrolled deforestation, Indian lands and public health problems that have made Polonoroeste a development debacle.

There are other instances that one could cite where the MDBs have ensured that at least greater attention has been given to environmental concerns in the projects they finance than host countries might first have been inclined to consider--for example, the provision for control of water borne diseases in large water projects. On balance, however, the number of MDB financed projects causing unnecessary and avoidable environmental damage outweighs the instances where they have acted completely responsibly in this area. For every example of the MDBs calling the attention of borrowing countries to the need for more attention to environmental concerns, one can cite other cases where the legitimate concerns of ministries of the environment and public health as well as those of affected local environmental and indigenous peoples' groups have been ignored or given short shrift.

THE IDB'S ENVIRONMENT MANAGEMENT COMMITTEE

Senator DeConcini: Please give me your candid appraisal of the Inter-American Development Bank's Environment Management

Committee as an effective arm for evaluating environmental components of proposed projects?

Mr. Rich: The Environment Management Committee of the Inter-American Development Bank (IDB) consists of high level senior management such as the Bank's General Counsel, Vice-President for External Relations, and Manager of the Project Analysis Department. The time of all of these individuals is already subject to many other demands and duties, and they have no special expertise, experience or training in environmental or resource management issues. It is to the credit of the IDB that such high level management forms the Environment Management Committee, but it is absolutely clear that this committee can best serve as an ultimate locus of accountability for environmental concerns in the bank's staff. It cannot perform on a systematic basis professionally trained, in depth environmental analysis of all the prospective projects in the bank's pipeline that potentially pose serious environmental concerns. It can review--and has reviewed over the past nine months--in depth a very limited number of particularly sensitive projects. Since November, 1983 the Environment Management Committee has reviewed in fact a total of ten projects, but it must be recalled that in the same period over 170 projects have been approved by the IDB and that the majority of these projects were in environmentally sensitive sectors such as energy, agriculture and transportation.

No mechanism currently exists within the IDB, then, to ensure effective environmental review of the vast majority of IDB projects with potentially adverse environmental consequences. The Manger of the Project Analysis Department did issue a directive to the IDB's technical staff and field offices which requires the identification of all projects both in execution and in preparation which may risk "significant environmental impacts." To really implement this directive, the IDB will have to acquire both additional environmentally trained staff expertise and institutionalize this expertise to both identify environmentally significant projects on an ongoing basis and incorporate mitagating measures into such projects or redesign them to ensure that they are environmentally sustainable.

RESPONSIVENESS OF MDBS TO ENVIRONMENTAL CONCERNS

Senator DeConcini: Are MDB's responsive to the concerns raised by organizations such as yours on environmental issues?

Mr. Rich: Over the past three years, since our organizations, the Congress and the Treasury Department first focused attention on the environmental performance of the MDBs, the overall record of responsiveness of these institutions has been disappointing, and indeed at times deeply disturbing. I should add however, that over the past year there are promising signs that the MDBs, particularly the three regional development banks, are finally becoming more responsive to environmental concerns.

The World Bank has been the least responsive institution, and often still seems to regard environmental matters as a public relations problem as much as anything else. The bottom line is that although the World Bank and the other MDBs have all committed

themselves to incorporating environmental concerns systematically into their projects--and in the case of the World Bank and IDB have claimed for years that they do so--they aren't committing the institutional resources or political will to implement these policies. The increased responsiveness of the MDBs to environmental concerns that has occurred over the past year appears to be due in substantial part to the outside pressure that has been exercised on them, through this and other subcommittees of the Congress, the Administration, and increasingly through the interest expressed by Executive Directors representing other nations.

CONSERVATION OF TROPICAL FORESTS AND BIOLOGICAL DIVERSITY

Senator DeConcini: What is your opinion about the environmental effectiveness of S. 1747 and S. 1748?

Mr. Rich: The thrust of these two bills is to amend the Foreign Assistance Act to require a greater commitment of the U.S. Agency for International Development (AID) to protection of tropical forests and biological diversity in developing countries. Although U.S. AID has a much better environmental record than the MDBs and other bilateral agencies, given the urgency of the problems of accelerating deforestation and loss of biological diversity it could and should be doing more concerning these two related concerns. Indeed, the seriousness of these problems requires and justifies the special focus and emphasis that S. 1747 and S. 1748 call for. The groups I represent strongly feel that this legislation is needed for AID. My only additional comment is that the U.S. Executive Directors of the MDBs should also be promoting in the multilateral banks the priorities and programs set forth in S. 1747 and S. 1748.

DONOR NATIONS PANEL

ENERGY PROBE, CANADA

STATEMENT OF PATRICIA ADAMS, ENERGY PROBE, CANADA

INTRODUCTION OF WITNESSES

Senator KASTEN. Our next panel consists of three representatives of donor nations: Pat Adams of Energy Probe, Canada; Marcus Colchester of Survival International in the United Kingdom; and Wouter Veening from the International Union for Conservation of Nature and Natural Resources of The Netherlands.

I might first of all say that your entire statement will be included in the record as if read, and we are going to ask that you also summarize your statements as the previous witnesses have to make opportunities for questions, and also for the other witnesses who are appearing.

I might also say that we are making a little bit of history today not only by having a hearing specifically on the question of the environmental impacts of the projects which the multilateral development banks have been working on, but also by having witnesses from around the world.

You, representing donor nations, obviously, are kindred spirits with some of us who have been working on these issues, in trying to increase the public awareness of them, but the fact that you are here today, I think, says two things: No. 1, the expression of concern from your countries for the goals that we share; but, No. 2, an indication from each of you of your personal commitment to travel to the United States to help us to bring this whole set of issues to greater worldwide public awareness.

I want to thank each of you for being here, and we will begin this panel with Patricia Adams, Energy Probe, from Canada.

Ms. ADAMS. Thank you, Mr. Chairman.

I was very pleased to be asked to address this subcommittee and to participate in your review of the environmental consequences of multilateral development bank projects. It is a review that we, in Canada, have watched closely and with great interest, and a review that has given a tremendous moral boost to those of us around the world who would like to see our own governments put the multilateral development banks' environmental record under the spotlight.

ACTIVITIES OF ENERGY PROBE

I am the Director of Third World Research for Energy Probe in Toronto, Canada. Energy Probe does research on energy and environmental issues as they relate to Canada and to the Third World. We depend on neither government nor corporate funding. Our support comes in the form of small donations from approximately 20,000 Canadians.

I have been for several years now investigating the accountability of aid agencies and monitoring the environmental effects of their projects. This investigation culminated in the publication of our book, "In the Name of Progress: The Underside of Foreign Aid," which I will make available to the subcommittee.

Here is what we found. I hope it proves useful to you in your deliberations.

An extraordinary degree of autonomy enjoyed by the multilateral development banks has allowed them to spend billions of Canadian tax dollars over the last 30 years in ways that have created environmental havoc and abused the rights of indigenous people.

These abuses are not caused by ill-will on the part of the banks' staff but are a byproduct of the fact that the banks operate in isolation from the taxpayers that keep them in business and from the citizens in the Third World who are their presumed beneficiaries. The effect is an unchecked relationship with their clients—the governments in the Third World that do the borrowing.

Energy Probe regularly receives requests for help from citizens groups in the Third World who are fighting environmentally disastrous projects in their communities financed by the multilateral development banks.

In investigating their concerns, our communication with officials from the various banks and the Canadian Government led us to the very disturbing realization that neither the public nor the Canadian Parliament has the legal means to properly scrutinize these expenditures of public funds.

According to our Governor to the World Bank, he does not have legal access to documents prepared by the staff or management of the World Bank. This meant that in March 1985, he could not see the staff report which detailed the extent to which the Brazilian Government was meeting the terms of its $400 million loan agreement to the Poloroneste project in the Amazon, specifically those terms to protect the environment and the indigenous peoples.

As well, documents prepared by the borrowing country with bank funds——

POLORONESTE PROJECT

Senator KASTEN. Excuse me, just a second, Patricia, I want to make sure that we emphasize that point. This was the Governor, your representative in the World Bank, who made a request and was denied access to certain staff documents, which would have given an indication as to whether or not the Poloroneste project was following the guidelines which were laid out, frankly, in a compromise with some of us as we were working on that.

Now, is it that your Governor was not able to obtain that information, or is it that he was not able to pass it on to you?

Ms. ADAMS. He was not able to receive it. It was the supervision mission report, and as such it was considered an internal staff document. As an internal staff document, it is not available to governments or to the general public. This was in response to a request that we made of him to get the document. He wrote back and said, "I am sorry, I can't get it. It is not available to me."

Senator KASTEN. I wanted to say to you, we don't know what the rules are, and we are going to get to the bottom of it, but under our law, if the U.S. Governor had made that request, and if the U.S. Governor were denied that request, the funds would be cut off.

I understand what you said, it would have been breaking the law, at least from our position in the United States, and I would assume that it should be very similar to that of Canada.

Ms. ADAMS. As I understand, the United States is the only country that has made its grants or its allocations to the multilateral development banks conditional on the right of your representative to get any document that is prepared by the management of the banks.

I did a survey of the executive directors of the World Bank, I got responses from six or seven of them. As far as I can tell, no one else makes this a condition of their appropriation to the bank, and certainly Canada does not make that a condition.

CANADIAN CONTRIBUTION TO WORLD BANK

Senator KASTEN. This might be a suggestion that you might provide to your elected officials in Canada.

Ms. ADAMS. We have.

Senator KASTEN. You make a significant contribution to the World Bank obviously, one of the most significant.

The rules might be that your Governor would request information, and he would in some way or another be asked to preserve a certain amount of confidentiality between him and an outside party that was not part of the discussions of the loan, et cetera. But for him not to be able to have that information available to him personally, I think is wrong. I wouldn't presume to suggest as a U.S. Senator how the Canadians ought to make their law, but I would say that I prefer our way.

Ms. ADAMS. We prefer your way as well, and we have actually been pushing for it in Canada.

Senator KASTEN. Thank you. I didn't mean to interrupt you, but I think that this is an important point. We are having a significant amount of interest shown in the amount of information being made available to us at a time when we can, in fact, do something with that information. This is something we have discussed over the past year or so.

Thank you very much. Please continue.

DOCUMENTATION RETAINED BY BORROWING COUNTRY

Ms. ADAMS. Documents also that are prepared by the borrowing country with bank funds, such as a study which investigates the economic and environmental feasibility of a hydro dam, are the property of the borrowing country, which can keep them from whomever it wishes.

What this means for the Canadian taxpayer and our representatives in Parliament—such as our Parliamentary Standing Committees which review annual appropriations to these banks—is that we have no meaningful way to judge their activities.

What is even more astounding is that the people of the Third World who must live with the consequences of these development schemes also don't have the right to scrutinize them.

We are urging our government to recognize that the best environmental experts to comment on development schemes are often the people in the Third World who are on site. Until these people—the ones with the most information about the carrying capacity of their environment and with the most responsibility in maintaining a sound environment—are included in the decisionmaking process, aid projects will continue to produce environmental disasters.

AID AGENCY REFORM RECOMMENDATIONS

For these reasons, we are making specific recommendations to reform the aid agencies that Canadian taxpayers fund:

(1) That the environmental consequences of all aid projects be considered; (2) that environmental assessments, when prepared, be available to the public of the donor and the recipient countries in the relevant languages; and (3) that a condition of disbursing our aid be a formal public review procedure so that the environmental assessment, or lack thereof, can be scrutinized and the value of the project challenged.

Canada is moving steadily in the direction of these reforms.

I was pleased to learn that earlier this week our Department of Finance, in response to a U.S. request, let our executive director to the World Bank know that Canada reaffirms its desire to see the bank increase its emphasis on environmental matters and on the protection of indigenous peoples. As I understand it, Canada supports the general thrust of U.S. legislation to promote environmental reforms in the multilateral development banks.

CANADIAN CONCERN OVER ENVIRONMENTAL ISSUES

Finally, I wish to comment on the growing public concern over this issue in Canada. Over the past few years, a wide variety of Canadian groups, from environmental to development to human rights groups, have started to investigate the operations of aid agencies.

It has become enough of a public concern that numerous hearings, inquiries, and conferences are being held to air the issue of the environmental and economic accountability of the aid agencies we fund. A list of these appears in my written presentation to the subcommittee.

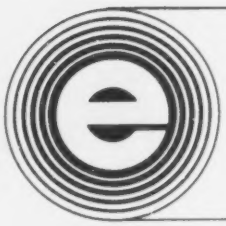
Thank you very much, Mr. Chairman.

Senator KASTEN. Thank you very much. I am sure that when you talk about appropriate language, you don't mean French or English, you mean whatever language it might be.

Ms. ADAMS. Right.

Senator KASTEN. We thank you, and we look forward to working with you.

[The prepared statement of Ms. Adams follows:]



ORAL STATEMENT OF
PATRICIA A. ADAMS
DIRECTOR, THIRD WORLD RESEARCH
ENERGY PROBE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I AM VERY PLEASED TO HAVE BEEN ASKED TO ADDRESS THIS SUBCOMMITTEE AND TO PARTICIPATE IN YOUR REVIEW OF THE ENVIRONMENTAL CONSEQUENCES OF MULTILATERAL DEVELOPMENT BANK PROJECTS. IT IS A REVIEW THAT WE IN CANADA HAVE WATCHED CLOSELY AND WITH GREAT INTEREST, AND A REVIEW THAT HAS GIVEN A TREMENDOUS MORAL BOOST TO THOSE OF US AROUND THE WORLD WHO WOULD LIKE TO SEE OUR OWN GOVERNMENTS PUT THE MDB'S ENVIRONMENTAL RECORD UNDER THE SPOTLIGHT.

MY NAME IS PATRICIA ADAMS AND I AM THE DIRECTOR OF THIRD WORLD RESEARCH FOR ENERGY PROBE IN TORONTO, CANADA. ENERGY PROBE DOES RESEARCH ON ENERGY AND ENVIRONMENTAL ISSUES AS THEY RELATE TO CANADA AND TO

THE THIRD WORLD. WE DEPEND ON NEITHER GOVERNMENT NOR CORPORATE FUNDING. OUR SUPPORT COMES IN THE FORM OF SMALL DONATIONS FROM APPROXIMATELY 20,000 CANADIANS.

I HAVE BEEN, FOR SEVERAL YEARS NOW, INVESTIGATING THE ACCOUNTABILITY OF AID AGENCIES AND MONITORING THE ENVIRONMENTAL EFFECTS OF THEIR PROJECTS. THIS INVESTIGATION CULMINATED IN THE PUBLICATION OF OUR BOOK, IN THE NAME OF PROGRESS: THE UNDERSIDE OF FOREIGN AID (BY PATRICIA ADAMS AND LAWRENCE SOLOMON, DOUBLEDAY 1985) WHICH I WILL MAKE AVAILABLE TO ANY SENATOR UPON REQUEST.

HERE IS WHAT WE HAVE FOUND. I HOPE IT PROVES USEFUL TO YOU IN YOUR DELIBERATIONS.

AN EXTRAORDINARY DEGREE OF AUTONOMY ENJOYED BY THE MDBS HAS ALLOWED THEM TO SPEND BILLIONS OF CANADIAN TAX DOLLARS OVER THE LAST 30 YEARS IN WAYS THAT HAVE CREATED ENVIRONMENTAL HAVOC AND ABUSED THE RIGHTS OF INDIGENOUS PEOPLE.

THESE ABUSES ARE NOT CAUSED BY ILL-WILL ON THE PART OF THE BANKS' STAFF BUT ARE A BYPRODUCT OF THE FACT THAT THE BANKS OPERATE IN ISOLATION FROM THE TAXPAYERS THAT KEEP THEM IN BUSINESS AND FROM THE CITIZENS IN THE THIRD WORLD WHO ARE THEIR PRESUMED BENEFICIARIES. THE EFFECT IS AN UNCHECKED RELATIONSHIP

WITH THEIR CLIENTS - THE GOVERNMENTS IN THE THIRD WORLD THAT DO THE BORROWING.

ENERGY PROBE REGULARLY RECEIVES REQUESTS FOR HELP FROM CITIZENS' GROUPS IN THE THIRD WORLD WHO ARE FIGHTING ENVIRONMENTALLY DISASTROUS PROJECTS IN THEIR COMMUNITIES FINANCED BY THE MULTILATERAL DEVELOPMENT BANKS. IN INVESTIGATING THEIR CONCERNS, OUR COMMUNICATION WITH OFFICIALS FROM THE VARIOUS BANKS AND THE CANADIAN GOVERNMENT LED US TO THE VERY DISTURBING REALIZATION THAT NEITHER THE PUBLIC NOR THE CANADIAN PARLIAMENT HAS THE LEGAL MEANS TO PROPERLY SCRUTINIZE THESE EXPENDITURES OF PUBLIC FUNDS.

ACCORDING TO OUR GOVERNOR TO THE WORLD BANK, HE DOES NOT HAVE LEGAL ACCESS TO DOCUMENTS PREPARED BY THE STAFF OR MANAGEMENT OF THE WORLD BANK. THIS MEANT THAT IN MARCH 1985, HE COULD NOT SEE THE STAFF REPORT WHICH DETAILED THE EXTENT TO WHICH THE BRAZILIAN GOVERNMENT WAS MEETING THE TERMS OF ITS $400 MILLION LOAN AGREEMENT TO THE POLONOROESTE PROJECT IN THE AMAZON, SPECIFICALLY THOSE TERMS TO PROTECT THE ENVIRONMENT AND THE INDIGENOUS PEOPLES.

AS WELL, DOCUMENTS PREPARED BY THE BORROWING COUNTRY WITH BANK FUNDS, SUCH AS A STUDY WHICH INVESTIGATES THE ECONOMIC AND ENVIRONMENTAL FEASIBILITY OF A HYDRO DAM, ARE THE PROPERTY OF THE BORROWING COUNTRY, WHICH CAN KEEP THEM FROM WHOMEVER IT WISHES.

WHAT THIS MEANS FOR THE CANADIAN TAXPAYER AND OUR REPRESENTATIVES IN PARLIAMENT - SUCH AS OUR PARLIAMENTARY STANDING COMMITTEES WHICH REVIEW ANNUAL APPROPRIATIONS TO THESE BANKS - IS THAT WE HAVE NO MEANINGFUL WAY TO JUDGE THEIR ACTIVITIES.

WHAT IS EVEN MORE ASTOUNDING IS THAT THE PEOPLE OF THE THIRD WORLD WHO MUST LIVE WITH THE CONSEQUENCES OF THESE DEVELOPMENT SCHEMES ALSO DON'T HAVE THE RIGHT TO SCRUTINIZE THEM.

WE ARE URGING OUR GOVERNMENT TO RECOGNIZE THAT THE BEST ENVIRONMENTAL EXPERTS TO COMMENT ON DEVELOPMENT SCHEMES ARE OFTEN THE PEOPLE IN THE THIRD WORLD WHO ARE ON SITE. UNTIL THESE PEOPLE - THE ONES WITH THE MOST INFORMATION ABOUT THE CARRYING CAPACITY OF THEIR ENVIRONMENT AND WITH THE MOST RESPONSIBILITY IN MAINTAINING A SOUND ENVIRONMENT - ARE INCLUDED IN THE DECISION-MAKING PROCESS, AID PROJECTS WILL CONTINUE TO PRODUCE ENVIRONMENTAL DISASTERS.

FOR THESE REASONS, WE ARE MAKING SPECIFIC RECOMMENDATIONS TO REFORM THE AID AGENCIES THAT CANADIAN TAXPAYERS FUND:

1. THAT THE ENVIRONMENTAL CONSEQUENCES OF ALL AID PROJECTS BE CONSIDERED

2. THAT ENVIRONMENTAL ASSESSMENTS, WHEN PREPARED,

BE AVAILABLE TO THE PUBLIC OF THE DONOR AND THE RECIPIENT COUNTRIES IN THE RELEVANT LANGUAGES

3. THAT A CONDITION OF DISBURSING OUR AID BE A FORMAL PUBLIC REVIEW PROCEDURE SO THAT THE ENVIRONMENTAL ASSESSMENT, OR LACK THEREOF, CAN BE SCRUTINIZED AND THE VALUE OF THE PROJECT CHALLENGED.

CANADA IS MOVING STEADILY IN THE DIRECTION OF THESE REFORMS.

I WAS PLEASED TO LEARN THAT EARLIER THIS WEEK OUR DEPARTMENT OF FINANCE, IN RESPONSE TO A US REQUEST, LET OUR EXECUTIVE DIRECTOR TO THE WORLD BANK KNOW THAT CANADA REAFFIRMS ITS DESIRE TO SEE THE BANK INCREASE ITS EMPHASIS ON ENVIRONMENTAL MATTERS AND ON THE PROTECTION OF INDIGENOUS PEOPLES. AS I UNDERSTAND IT, CANADA SUPPORTS THE GENERAL THRUST OF US LEGISLATION TO PROMOTE ENVIRONMENTAL REFORMS IN THE MDBs.

FINALLY, I WISH TO COMMENT ON THE GROWING PUBLIC CONCERN OVER THIS ISSUE IN CANADA. OVER THE PAST FEW YEARS, A WIDE VARIETY OF CANADIAN GROUPS, FROM ENVIRONMENTAL TO DEVELOPMENT TO HUMAN RIGHTS GROUPS, HAVE STARTED TO INVESTIGATE THE OPERATIONS OF AID AGENCIES. IT HAS BECOME ENOUGH OF A PUBLIC CONCERN THAT NUMEROUS HEARINGS, INQUIRIES, AND CONFERENCES ARE BEING HELD TO AIR THE ISSUE OF THE ENVIRONMENTAL AND ECONOMIC ACCOUNTABILITY OF THE AID AGENCIES WE FUND.

A LIST OF THESE APPEARS IN MY WRITTEN PRESENTATION TO THE SUBCOMMITTEE.

THANK YOU VERY MUCH, MR. CHAIRMAN.

ABOUT ENERGY PROBE

ENERGY PROBE IS AN INDEPENDENTLY FUNDED PUBLIC-INTEREST RESEARCH GROUP THAT DOES RESEARCH ON ENERGY AND ENVIRONMENTAL POLICY ISSUES. ITS ACADEMIC WORKS ARE PUBLISHED BY BODIES LIKE THE ECONOMIC COUNCIL OF CANADA, ITS BOOKS BY DOUBLEDAY AND ITS NEWSPAPER ARTICLES ARE SYNDICATED TO THE OP-ED PAGES OF THE MAJOR CANADIAN DAILIES.

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BIOGRAPHY -- PATRICIA ADAMS

PATRICIA ADAMS IS ENERGY PROBE'S DIRECTOR OF THIRD WORLD RESEARCH AND THE AUTHOR OF IN THE NAME OF PROGRESS: THE UNDERSIDE OF FOREIGN AID (DOUBLEDAY). SHE IS ALSO ON THE BOARD OF DIRECTORS OF THE NAIROBI-BASED ENVIRONMENT LIAISON CENTRE, A COALITION OF OVER 200 CITIZENS' AND ENVIRONMENTAL GROUPS FROM BOTH INDUSTRIALIZED AND THIRD WORLD NATIONS. FORMERLY, SHE HAS BEEN AN ADVISOR TO THE WORLD COUNCIL OF CHURCHES AND A CONSULTANT TO THE OTTAWA-BASED INTERNATIONAL DEVELOPMENT RESEARCH CENTRE'S ENERGY PROGRAM.

IN THE LAST YEAR, SHE HAS APPEARED AS AN EXPERT WITNESS BEFORE CANADA'S PARLIAMENTARY STANDING COMMITTEE ON FINANCE, TRADE AND ECONOMIC AFFAIRS AND THE SENATE-HOUSE OF COMMONS SPECIAL JOINT COMMITTEE ON CANADA'S INTERNATIONAL RELATIONS.

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SURVIVAL INTERNATIONAL, UNITED KINGDOM

STATEMENT OF MARCUS COLCHESTER, SURVIVAL INTERNATIONAL, UNITED KINGDOM

BRITISH INVOLVEMENT IN MDB-FUNDED PROJECT IMPROVEMENTS

Senator KASTEN. Our next witness is Marcus Colchester, Survival International from the United Kingdom.

Mr. COLCHESTER. Thank you, Mr. Chairman. I would like to thank you for inviting me to participate in this meeting.

Senator KASTEN. You might want to pull that microphone closer to you.

Mr. COLCHESTER. I am Marcus Colchester, Projects Officer with Survival International, which is a human rights organization that defends the rights of tribal peoples.

The efforts of your subcommittee to improve the environmental and social impact of MDB projects have been followed with close attention by Survival International and other nongovernment organizations in Britain and, indeed, worldwide. In collaboration with these organizations, notably Friends of the Earth and the World Wildlife Fund, we have also been pressing the British Government to seek ways of improving the environmental and social performance of MDB-funded projects.

Since 1982, the World Bank has openly recognized the rights of tribal peoples to the ownership of their traditional lands and their right to self-determination. These principles have been incorporated into clear policy guidelines which, if only they were implemented, might substantially improve projects in tribal areas. Lamentably, it is the case that MDB-funded projects not only regularly breach these guidelines, but also regularly violate international laws, as detailed in my written statement.

In the short time available, I would like to draw the committee's attention to two World Bank funded projects about which Survival International is greatly concerned.

SARDAR SAROVAR DAM AND POWER PROJECT

In India, we have been particularly concerned with the Sardar Sarovar Dam and power project, which is the first part of a massive water control scheme that will involve the displacement of an estimated 1 million people.

Survival International has been especially alarmed by the inadequate measures being taken to protect the interests of the 60,000 tribal peoples to be displaced from their homelands by this initial project.

Not only does this project offer the tribes no guarantee of any substantial benefit, it also clearly breaches the bank's policy guidelines. Worse still, by refusing to recognize the rights of the tribal people to the ownership of their traditional lands, the loan agreement signed between the bank and the Indian Government flagrantly violates international law.

Survival International particularly regrets that the bank has evaded its responsibility of improving the resettlement components of this project despite being alerted to its legal inadequacies months before it was signed and agreed on.

TRANSMIGRATION PROGRAM IN INDONESIA

The other project that we have been most concerned about is the Transmigration Program in Indonesia.

Transmigration, the mass movement of land-hungry poor from Indonesia's overpopulated central islands to the less densely populated outer islands, is the largest colonization program in history. With nearly 4 million people already relocated, the government is now planning the movement of a further 65 million in the next 20 years. This, despite the chronic failure of many, if not a majority, of the settlements and the now open admission that the project cannot solve the country's demographic problems.

Transmigration is being carried out with scant regard for its shattering effects on the tribal minorities in its path. As the program has been extended into the most remote parts of the Indonesian archipelago, whole peoples have been uprooted, torn from the lands on which they have lived for millenia and resettled in government-built unit dwellings to conform to the national goals of progress and development.

Compensation, payable to the tribal people for the loss of their lands, has been denied and the security forces called in where the locals have resisted what they see as no less than the invasion of their ancestral territories.

The land alienation that is an inevitable result of transmigration has been partially responsible for the flight of over 10,500 people from Irian Jaya to Papua New Guinea in the last 2 years.

Moreover, the environmental impact of transmigration is cataclysmic. It is estimated that 3.3 million hectares of rain forest will be destroyed by the program in the next 5 years.

These unacceptable social and environmental costs, which substantially reduce the possibilities of sustainable development have been almost totally ignored by the World Bank.

Despite the fact that Indonesian legislation and policy regarding transmigration directly conflicts with the World Bank's policy guidelines, funding for this program continues to be approved. This reveals how the Bank's policy guidelines are superfluous in the absence of external review procedures which ensure that they are properly applied.

Mr. Chairman, I am appending to this statement a recent letter sent to the World Bank by Survival International with the support of 31 other international human rights and environmental organizations, which sets out clearly our objections to the Bank's involvement in the Indonesian Transmigration Project.

What is most alarming about these examples is that they reveal that bank projects regularly omit giving real consideration to tribal peoples until their last stages. The inevitable result is that the tribal peoples'

problems, far from being resolved by the development, are instead often exaggerated by the projects.

IMPROVEMENT OF PROJECTS IN TRIBAL AREAS

Mr. Chairman, if MDB's are to improve their performance in tribal areas, a fundamental restructuring of projects is necessary. Projects in tribal areas must be elaborated on the basis of detailed studies of the real needs and demands of the local peoples and means then sought to accommodate these needs in the national societies where the people now find themselves.

Unfortunately, bank projects are elaborated exactly the opposite way around. Projects are identified through macroeconomic studies of national economies, and it is only in the very last stages that minor and usually inadequate measures are introduced to cushion the local people against the projects' worst effects.

The consequences for the tribal peoples can be measured in loss of lives, in escalating conflicts between local peoples and government, and in the elimination of ethnic diversity and sustainable systems of resource use. Self-sufficiency is being replaced by poverty, cultural autonomy by dependency, and human dignity by human suffering.

The reform package being promoted by the committee may go some ways toward improving the performance of the bank projects in tribal areas. However, it is our opinion that these reforms on their own will not overcome the major deficiencies of MDB projects in tribal areas. This can only be effectively achieved if projects give first priority to local, rather than national needs and demands.

Such a radical restructuring of policy will depend on the existence of real will within the banks, and in the governments of the donor countries, to acknowledge the internationally recognized rights of tribal people to their self-determination and the ownership of their lands.

SUBSTANTIAL IMPROVEMENTS REQUIRED IN PROJECTS

But other changes which might bring substantial improvements to projects could and should be implemented immediately.

In the first place, strict controls should be applied to projects to ensure they comply with international law.

Projects should not be allowed to go ahead if they are in breach of policy guidelines.

Preconditions for the protection of the rights and welfare of tribal peoples should be incorporated into loan agreements.

Project funds should be withheld if human rights are violated during project implementation.

Tribal peoples' needs and demands should be considered in the projects' earliest stages, and tribal peoples themselves should be involved in the planning.

Information about proposed projects should be publicly available from the earliest stages, and recipient countries' objections to the open formulation of development projects should be strongly resisted so that projects do not institutionalize undemocratic forces.

However, as already stated, the essential need is to give first priority to local, rather than national needs and demands.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Colchester and its attachments follow:]

SURVIVAL INTERNATIONAL U.S.A.

PREPARED STATEMENT

OF

MARCUS COLCHESTER

MAY 1, 1986

Written statement

Mr Chairman, I am Marcus Colchester, a Doctor of Anthropology and Projects Officer with Survival International. Survival International is a human rights organisation with consultative status as an NGO at the United Nations (ECOSOC) and EEC human rights commissions and with Special Listing as an NGO at the International Labour Office, that defends the rights of threatened tribal peoples to survival, self-determination and the use and ownership of their traditional lands.

Survival International has been active in defence of tribal peoples' rights for nearly seventeen years. Since the mid 1970s, the organisation has devoted a considerable portion of its energies to evaluating the impact of internationally financed development projects on tribal peoples and to ensuring that the rights of tribal peoples are properly respected and their interests properly represented in the elaboration of such schemes (1).

The efforts of your sub-committee to reform the environmental and

social impact of MDB projects have been followed with close attention by Survival International and other NGOs in Britain, and indeed world-wide. In collaboration with these organisations, notably Friends of the Earth (UK) and the World Wildlife Fund (UK), we have also been pressing the British Government to seek ways of improving the environmental and social performance of MDB funded projects. In response, the Overseas Development Administration of the British Ministry for Foreign Affairs has given clear indications that it welcomes the developing dialogue between Government and NGOs. A series of meetings to discuss British Government policy and the shortcomings of certain specific projects have been held as a result and more are planned in the future.

Tribal peoples and economic development

As the World Bank has itself recognised, the special needs of tribal peoples have until recently been virtually ignored in the elaboration of MDB-funded development projects (2). These special needs derive from these peoples' specific environmental and social circumstances. Unlike the impoverished peasantry of many developing countries whose economies are more or less integral to that of the nation state of which they form part and whose development needs derive primarily from a history of exploitation and oppression, tribal peoples' economies have developed more or less independent of the nation states within whose boundaries they now find themselves. Fundamentally self-sufficient, both economically and socially, such peoples have very different needs and wants from other peoples with low cash incomes.

Such peoples derive their livelihood almost exclusively from the lands they occupy. Their lands, besides being key to their survival, are also imbued with powerful cultural significance. The close relations they have developed with their lands permeate every aspect of their lives and promote the sustainable use of the natural resources of these lands.

Any develoment project in tribal areas, which, in accordance with the exigencies of international law, seeks to give high priority to the improvement of the conditions of life and work of the tribal peoples concerned, must give full recogniton to these peoples' land rights (3).

Recognition of tribal peoples' rights to their lands is the single most important factor in ensuring their survival, as distinctive ethnic, social and political groups, as effective guardians of their natural environment, and as productive participants in their national economies. Contrarily, violation of these rights makes impossible the observation of their other universally recognised rights, which are enshrined in the Charters and Covenants of the United Nations. The singular importance of recognising tribal and indigenous peoples' land rights has been established at the United Nations' Working Group on Indigneous Populations, where calls for the settling of land claims have been made repeatedly by tribal peoples' representatives. As the United Nations' Special Rapporteur; Jose R. Martinez Cobo, has noted:

> 'There is a fundamental difference between the relationship which indigenous peoples have with the land and the relationship which other sectors of the population have.... all indigenous peoples have, and uphold a complete code of rules of various kinds which are applicable to the tenure and conservation of land as an important factor in the production process, the foundation of family life and the territorial basis for the existence of their people as such. The whole range of emotional, cultural, spiritual and religious considerations is present where the relationship with the land is concerned....The land forms part of their existence.'

The central importance of customary patterns of land ownership to the survival of tribal peoples has also been explicitly recognised in International Law. Specifically, Convention 107 of

the International Labour Organisation recognises the right of tribal peoples to the **collective** ownership of their **traditional** lands and makes clear provisions for their compensation with land for any lands lost to development schemes (4).

The right of tribal people to their traditional subsistence base is also explicit in Article 2 of the International Convention on Civil and Political Rights which states:

> 'All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.'

Almost, if not equally, as important as the recognition of land rights to the success of development projects in tribal areas is recognition of the principle of self-determination. Article 1 of the International Convention on Civil and Political Rights states:

> 'All peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development'

This right to self-determination is the underlying basis of the satisfactory continuation of their distinctive ways of life. Ignoring this right only leads to the marginalization and pauperization of these peoples, at considerable cost to the nations within whose borders they live.

MDB policy regarding tribal peoples

Since 1982, the World Bank has openly acknowledged the importance of recognising these rights in the development of tribal areas and has set out what could be, if only they were actually

implemented, cogent policy guidelines to ensure that the rights and interests of tribal peoples are properly accomodated by development schemes (5 and see Appendix 1) .

Lamentably it is the case that MDB projects not only regularly breach these guidelines but also regularly violate international law.

The committee is already aware, Mr Chairman, of the serious shortcomings of the ongoing and proposed road-building and colonisation programmes funded by the World Bank and the InterAmerican Development Bank in the Brazilian states of Rondonia, Mato Grosso and Acre. Survival International remains gravely concerned by the fact the Banks have persisted in making loans to these programmes even though the process of demarcating Indian lands has come to a virtual standstill since the change of Government in Brazil.

Hydropower projects in India

In the past eighteen months Survival International has focused its attentions on two other major World Bank projects which threaten the survival of tribal peoples. In India we have in particular been concerned with the Sardar Sarovar Dam and Power project in Central India. This hydropower and irrigation scheme, which the Word Bank is funding to the tune of US$ 300 million, is the first part of a massive water control programme that will involve the displacement of an estimated one million people (6).

Survival International has been especially concerned that the loan agreement associated with this initial project, signed between the World Bank and the Indian authorities, violates international law. Contrary to the terms of ILO Convention 107 the loan agreement denies the rights of the 60,000 tribal people, who will be displaced by the project, to the collective ownership of their traditional lands. Instead the loan agreement only recognises as 'landed' the very few tribals in the area who have

managed to acquire individual title to parts of the cultivated portions of the lands occupied and used by them. All the rest of the tribals, regardless of the fact that they may actually work the land in exactly the same way as those who happen to have obtained individual titles, are considered by the loan agreement as 'landless'. The guarantees of compensation offered to them are minimal and inadequate.

Despite the fact that Survival International alerted the Bank to this matter five months before the loan agreement was signed, the Bank has failed to modify the agreement so that it accords with ILO Convention 107, which was ratified by India in 1958.

Once it became clear that the Bank was refusing to heed outside criticism from NGOs, Survival International drew the matter to the attention of the ILO with the assistance of the International Federation of Plantation, Agricultural and Allied Workers (see appendix 2). In investigating Survival International's allegation, the ILO solicited documentation from both the World Bank and the Indian Governments. The ILO has concluded that, just as Survival International had alleged, the present loan agreement does not ensure compliance with Convention 107. A full copy of the observations of the ILO Committee of Experts is appended (appendix 3).

It should be noted that the ILO also stated that:

> 'the obligations undertaken in the context of the Convention's ratification fall on the Government of India, and not on the World Bank.'

Which is to say that the ILO does not consider that the Bank is **legally** bound by this piece of legislation, even though the loan agreement it has entered into does **not** comply with the exigencies of international law.

Nevertheless the Bank's witting and forewarned entry into this

agreement clearly violates the Bank's own policy guidelines. On page 12 of its guidelines the Bank states explicitly:

'The Bank, as an affiliate of the United Nations, should prudently be assured that those borrowers who are signatory to the UN Charter are complying with the spirit of the United Nations charter, international covenants, treaties, and agreements, when it lends to projects affecting tribal people. Clearly, the Bank cannot assist borrowers with projects if tribal peoples may be seriously harmed thereby' (7).

Indonesia's Transmigation Programme

The other project that we have been most concerned about is the Transmigration programme in Indonesia. This programme, which the Bank has now funded with loans totalling over 600 million dollars, is having a devastating effect on the tribal peoples in its path.

Transmigration, the mass movement of land hungry poor from Indonesia's overpopulated central islands of Java, Madura, Lombok and Bali, to the less densely populated outer islands, is the largest colonisation programme in history. With nearly four million people already relocated and the Government now planning the movement of a further 65 million in the next twenty years, the programme dwarfs the controversial and widely criticised programmes for the colonisation of Amazonia with which it has been compared.

The programme is being promoted by the Government and by the World Bank as the solution of the economic and social problems of Java and the other inner islands of Indonesia. Yet the demographic and economic rationalisations for the programme have been shown to be deeply flawed (8).

Moreover, this tragic misuse of resources is not even successfully alleviating the problems of the resettled Javanese peasantry. The regular failure of resettlement sites has been

widely noted by the funding agencies. Many migrants have been unable to make a living on the unfamilar but typically fragile tropical forest soils of their new environment, instead drifting into the urban centres or engaging in further destruction as slash and burn farmers to avoid complete destitution.

Transmigration is being carried out with scant regard for its shattering effects on the tribal minorities in its path. As the programme has been extended into the most remote parts of the Indonesian archipelago, whole peoples have been uprooted, torn from the lands on which they have lived for millenia and resettled in Government-built unit dwellings to conform to the national goals of 'progress' and 'development'. Compensation, payable to the tribal people for the loss of their lands, has been denied and the security forces called in where the locals have resisted what they see as no less than the invasion of their ancestral territories.

Escalating conflict between tribal Papuans and the Indonesian armed forces in the province of Irian Jaya (West Papua) has been fuelled by the progressive land alienation that is an inevitable result of the programme (9). These conflicts have intensified to such an extent that they have caused some 10,500 West Papuans to abandon their ancestral lands and take refuge in neighbouring Papua New Guinea (10).

Moreover, the environmental impact of Transmigration is cataclysmic when compared even to the widely criticised Polonoroeste project in Amazonia. The results of the latest Government-financed forest review show that no less than 270,000 hectares of tropical rainforest will be destroyed **annually** in the implementation of the Transmigration project during the Indonesian Government's current five year plan. Moreover spill-over effects from existing and new sites caused by settlers abandoning their failed settlements will bring the total expected

loss of forest during the next five years to over **3.3 million hectares.**

Yet, in the World Bank's 'Transmigration V Project Appraisal Report', in the sole paragraph which directly assesses the environmental impact of the project, the Bank asserts that the project:

'has the potential to provide enormous environmental benefits in both sending and receiving areas' (11)

What is most distressing about the Transmigration Programme is that these unfortunate effects of the project are not primarily the result of poor implementation but are inherent in the actual planning of the project. The World Bank in approving its most recent loan to the programme has not only failed to heed its own guidelines regarding the development of tribal areas but has actually purposefully overruled them since they conflict with the Indonesian Government's overtly ethnocidal policies (12). Indonesian legislation regarding the implementation of Transmigration in tribal areas explicitly denies the land rights that are given due recognition in the Bank's policy guidelines (13). The Bank's involvement in this project reveals that its policy guidelines are worthless in the absence of external review procedures which ensure their proper application.

Mr Chairman, I am appending to this statement a recent letter sent to the World Bank by Survival International with the support of 31 other international human rights and environmental organisations, which sets out clearly our objections to the Bank's involvement in the Indonesian Transmigration project (Appendix 4). Three sister organisations, the International Work Group for Indigenous Affairs (14) , Friends of the Earth International and World Wildlife Fund (UK) (15) have specifically asked me to inform the committee of their shared concern about the social and environmental effects of this project.

What is revealed by a study of these projects is that any real consideration of the special needs and demands of tribal peoples is delayed until the penultimate phase of the project cycle, just before loan approval. The inevitable result is that any problems existing in the relations between the tribal peoples and the national society, far from being resolved by the 'development' are instead incorporated into, and often exaggerated by, the projects.

Recommendations

Mr Chairman, if MDBs are to improve their performance in tribal areas, a fundamental restructuring of projects is necessary. At present, far from elaborating projects on the basis of detailed studies of the real needs and demands of tribal peoples and then seeking to find ways of accomodating these needs in the national societies where they find themselves, Bank projects are elaborated exactly the opposite way around. Projects are identified through macro-economic studies of national economies and it is only in the very last stages of the projects that minor and usually inadequate measures are introduced to cushion the local peoples against the projects' worst effects.

The consequences for the tribal peoples can be measured in loss of lives, in escalating conflicts between local peoples and Government and in the elimination of ethnic diversity and sustainable systems of resource use. Self-sufficency is being replaced by poverty: cultural autonomy by dependency: human dignity by human suffering.

The 19 point reform package being promoted by the committee may go some way towards improving the performance of the Banks' projects in tribal areas. However, it is our opinion that these reforms, which in any case give more emphasis to environmental rather than social performance, will not overcome the major deficiencies of MDB projects in tribal areas. This can only be

effectively achieved by giving first priority to local, rather than national, needs and demands.

Such a radical restructuring of project cycles will take time and will depend on the existence of a real will within the Banks, and in the Governments of the donor countries, to acknowledge the internationally recognised rights of all tribal peoples to self-determination and the ownership of their lands.

But other changes which might bring substantial improvements to projects should be implemented immediately.

In the first place, strict controls should be applied to projects to ensure they comply with international law.

Projects should not be allowed to go ahead if they are in breach of policy guidelines.

Provisions for the protection of the rights and welfare of tribal peoples should be incorporated into loan agreements both as conditions precedent to disbursement and as pre-conditions to activation by the borrower governments of any aspect of on-site work on these projects (16).

Provisions should be written into loan agreements for the immediately suspension of loan disbursements if human rights are violated during project implementation.

Consideration of tribal peoples' needs and demands should take place in the earliest stages of project elaboration (in fact this is already demanded by the World Bank's policy guidelines). Such policies should be adopted and implemented by all MDBs.

Tribal peoples themselves and local NGOs working with tribal peoples should be involved in the early planning phases of projects.

Information about proposed projects should be publicly available from the earliest stages.

Recipient countries' objections to the open formulation of development projects should be strongly resisted, so that projects do not institutionalise undemocratic forces.

However, as already stated, the essential need is to give first priority to local, rather than national, needs and demands.

References

(1) see for example Stuart Wavell, 1975, 'Cultural Death by Drowning' **Survival International News** 10: 19-23 and subsequent issues of the **Survival International News** and **Survival International Review.**

(2) World Bank, 1982, **Tribal Peoples and Economic Development: Human Ecologic Considerations** (hereinafter IBRD 1982): 11.

(3) see Article 6 of the International Labour Conference's, 1957, 'Convention 107: Convention Concerning the Protection and Integration of Indigenous and other Tribal and Semi-tribal Populations in Independent Countries' (hereinafter ILO Convention 107): for commentary see Gordon Bennett, 1978, **Aboriginal Rights in International Law**, Joint publication of Survival International and the Royal Anthropological Institute of Great Britain and Ireland.

(4) ILO Convention 107, articles 11 and 12.

(5) IBRD 1982.

(6) Kalpavriksh, 1985, 'The Narmada Valley Project - Development or Destruction' **The Ecologist** 15 (5/6): 269-285 and Marcus Colchester. 1985, 'The Tribal People of the Narmada Valley: Damned by the World Bank' Working Paper from Survival International, abridged in **The Ecologist** 15 (5/6): 286-290.

(7) IBRD 1982: 12.

(8) see **Banking on Disaster: Indonesia's Transmigration Programme**, special issue of the **The Ecologist** 16 (2/3) produced by Survival International and Tapol.

(9) **The Status of Border Crossers from Irian Jaya to Papua New Guinea.** Report by the International Commission of Jurists, Australian Section, January 1985.

(10) **Refugees** February 1986.

(11) World Bank, 1985, **Staff Appraisal Report: Indonesia's Transmigration V Project**: cited in Charles Secrett, 1986, 'The Environmental Impact of Transmigration' **The Ecologist** 16 (2/3):77-88.

(12) Marcus Colchester, 1986a, 'Banking on Disaster: International Support for Transmigration' **The Ecologist** 16 (2/3): 61-70; Marcus Colchester, 1986b, 'Unity and Diversity: Indonesia's Policy Towards Tribal Peoples' **The Ecologist** 16 (2/3): 89-98.

(13) Marcus Colchester, 1986c, 'The Struggle for Land: Tribal Peoples in the face of the Transmigration Programme' **The Ecologist** 16 (2/3): 99-110.

(14) The International Work Group on Indigenous Affairs, Copenhagen, has also requested that the committee takes note that the World Bank is currently financing an Indonesian Government birth control programme in the invaded terrirory of East Timor. The legality of the Bank's involvement in this territory, which the United Nations has not recognised as part of Indonesia, is highly questionable.

(15) The World Wildlife Fund UK has asked me to note the other projects about which it is particularly concerned, namely: Chiapas, Mexico (rural development): Lake Akrotiri, Cyprus (sewage plant): Amazonia, Brazil (colonisation): Botswana (livestock development): Tana River, Kenya (rural development): Narmada River, India (water control project).

(16) As happened, for example, in the case of the USAID-funded Pichis-Palcazu Rural Development Project in the Peruvian Montana region see: **Survival International Information Pack** IP/PRU/2b/NOV/1983.

Appendices

1. World Bank Policy Towards Tribal Peoples (extracts from IBRD 1982).

2. Letter from the International Federation of Plantation, Agricultural and Allied Workers to the International Labour Organisation, October 1985.

3. 1986 Observation of the International Labour Organisation on India's application of ILO Convention 107.

4. Open letter to the World Bank signed by 32 international human rights and environmental organisations.

WORLD BANK POLICY TOWARDS TRIBAL PEOPLES

Salient Quotes from:

Tribal Peoples and Economic Development: Human Ecologic Considerations. World Bank, 1982.

'Bank policy is aimed at facilitating development in a way that ...preserves their identity, as well as their individual and collective rights' (page 1)

'the Bank will assist projects within areas used or occupied by tribal peoples only if it is satisfied that best efforts have been made to obtain the full and conscionable agreement of the tribal people .....and that project design and implementation strategy are appropriate to meet the special needs and wishes of such peoples' (page 1)

'...the Bank will not support projects on tribal lands, or that will affect tribal lands, unless the tribal society is in agreement with the objectives of the project, as they affect the tribe, and unless it is assured that the borrower has the capability of implmenting effective measures to safeguard tribal populations and their lands against any harmful side-effects resulting from the project' (page 3)

'The Bank, as an affiliate of the United nations, should prudently be assured that those borrowers who are signatory to the UN charter are complying with the spirit of the United Nations charter, international covenants, treaties, and agreements, when it lends for projects affecting tribal people. Clearly, the Bank cannot assist borrowers with projects if tribal groups may be seriously harmed thereby' (page 12)

'Where no legislation exists (consistent with international conventions etc.), the Bank will dsicuss with the borrower how the risks of the investment may be decreased and the design improved by, for example, the enactment of legislation before the project become effective. Or the bank may include project covenants that would accord affected tribal groups ..... necessary measures to protect tribal culturs and resource bases' (page 12)

'..the Bank accepts that entire tribes of human beings must not be sacrificed to the goal of economic development' (page 15)

'Land rights...are vital to the economic, social and psychological well-being of individual tribal members, as well as for the maintenance of the group's cultural stability. Those national Government's that are signatory to the UN charter and require Bank assistance can be guided by the UN Declaration of Human Rights, 1948 (Annexes 3 and 4) on tribal issues and land title.....Communal title, or group tenure, may need legislative innovation on the part of a nation; such innovations are neither unknown nor especially difficult. The Bank can discuss tribal policies with governments, which would act to implement agreed policies' (page 19)

'Such a policy of self-determination emphasizes the choice of tribal groups to their own way of life and seeks, therefore, to minimize the imposition of different social or economic systems until such a time as the tribal society is sufficiently robust and resilient to tolerate the effects of change...The following conditions are essential....:

a. National governments and international organizations must support rights to land used or occupied by tribal people, to their ethnic identity, and to cultural autonomy.

b. The tribe must be provided with interim safeguards that enable it to deal with unwelcome outside influences on its own land until the tribe adapts sufficiently.

c. Neither the nation nor the nontribal neighbors should compete with the tribal society on its own lands for its resources' (page 27-8)

IFPAAW
FITPAS
FITPASC

Francis Blanchard Esq.
Director General
International Labour Organisation
4 Route des Morillons
CH-1211 Geneva 22
Switzerland

October 1985

Dear Mr Blanchard,

We have recently received from the international non-governmental human rights organisation Survival International a dossier of information concerning the problems being faced by the tribal peoples in the area of the Sardar Sarovar Dam and Power Project in India.

According to this information, the hydropower project, one of a large number planned for the Narmada Valley in the States of Gujarat, Madhya Pradesh and Maharashtra, will displace some 60,000 tribal peoples from their ancestral areas.

Survival International has focused attention particularly on the effects that the resettlement and rehabilitation programme associated with this project will have on the tribal people in the area. We have been very concerned to note that the plans for the resettlement programme, which have been written into the loan agreements between the World Bank and the Governments of India and the three participating States, do not conform to the terms of the ILO's Convention 107 on Tribal and Indigenous Populations, to which the Indian government is a signatory.

Drawing attention to Articles 6, 11 and 12 of the Convention, Survival International notes that the present resettlement programme:

1. does not recognise the rights of the tribal inhabitants to the **collective** ownership of their **traditional** lands. Indeed, the agreement only recognises as "landed" those **individual** tribals who have managed to secure title to certain of their cultivated plots.

2. considers all other tribals, regardless of whether they are cultivating plots or not and regardless of their traditional forms of land use and ownership, as "landless".

makes no provisions for compensating the tribals for the loss of the uncultivated parts of their traditional lands, which they use for hunting and fishing and for collecting minor forest produce and firewood.

4. makes inadequate provisions for compensating the tribals with lands that are equal in quality to the traditional areas that they will lose. Inadequate provisions exist in the agreement for resettling the tribals in forested zones, such as those which presently cover some 32% of their area.

5. whereas compensatory land holdings are to be allotted to "landed" tribals only, no guarantees are made for providing the so-called "landless" tribals with land.

6. contrary to the terms of Article 6 of ILO Convention 107 the minimal objective of the resettlement programme is only to **retain** the standard of living of those displaced. There is no evidence that the development of the tribal peoples themselves is to be given a "high priority" in the over-all scheme.

Survival International also presents detailed information that shows that in the area in question the majority of the tribal people, nearly all of whom extract a living direct from their traditional areas either through farming or through the use of other resources in the forest zones, are liable to be considered "landless" in the terms of the current resettlement programme.

According to the terms of the loan agreement between the Bank and the Indian authorities, the only guarantees made to the tribals who are considered "landless" for the purposes of the programme are that they will be "rehabilitated in the agricultural and nonagricultural sectors, as the case may be, and shall be entitled to stable means of livelihood....".

It should be pointed out that the Sardar Sarovar scheme is but one of a large number planned for the Narmada river. According to the Indian National Institute of Urban Planning about **1 million** tribal people are to be displaced by the overall Narmada Valley scheme, while according to a World Bank estimate fully **2 million** tribal people face relocation from their traditional lands to make way for hydropower projects in India in general. The matter is, therefore, clearly of more than local interest. For this reason it is very important that this first project is handled properly as it may well serve as a model for future developments.

If the Sardar Sarovar project does not create a fair deal for the tribals to be displaced, their future is liable to be very insecure. They will be forced to join the evergrowing pool of landless agricultural labourers who already make up 27% of the total population in India.

IFPAAW, as an international labour organisation representing the interests of agricultural workers, formally requests that the International Labour Organisation looks carefully into this matter. We ask that the ILO secretariat in turn communicates our grave concern to the Indian government and to the World Bank.

yours sincerely

Jose J. Vargas G.
General Secretary

Convention No. 107: Indigenous and Tribal Populations, 1957

Observation 1986

India (ratification: 1958)

The Committee notes that comments on the application of the Convention were contained in a letter received 23 October 1985, from the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW). These comments were communicated to the Government on 4 November 1985 for any observations it might wish to make, and a reply was received on 10 March 1986.

The letter from IFPAAW communicated information obtained from the non-governmental organisation Survival International for the Rights of Threatened Tribal Peoples. This information includes copies of correspondence between Survival International and the World Bank on this question. A copy of IFPAAW's comments and the attached material was also sent by the Office to the World Bank, which has provided copies of its further correspondence with Survival International, to which the Government has also referred in its reply; the Bank has also provided copies of the Loan Agreement and the Development Credit Agreement with the Government of India in respect of the Sardar Sarovar Dam and Power Project, as well as copies of the Project Agreements with the three States concerned, Gujarat, Madhya Pradesh and Maharastra.

The comments made by IFPAAW state that this project, which is being carried out with financing from the International Development Association and the World Bank, is the first stage of a much larger project. It is alleged that the Project will displace some 60,000 tribal people from their traditional lands in conditions which are inconsistent with the present Convention, and in particular with its Articles 6, 11 and 12, paragraph 2. It states that the resettlement programme:

1. Does not recognise the rights of the tribal inhabitants to the collective ownership of their traditional lands. Indeed the Agreement only recognises as "landed" those individual tribals who have managed to secure title to certain of their cultivated plots.
2. Considers all other tribals, regardless of whether they are cultivating plots or not and regardless of their traditional forms of land use and ownership, as "landless".
3. Makes no provision for compensating the tribals for the loss of the uncultivated parts of their traditional lands, which they use for hunting and fishing and for collecting minor forest produce and firewood.
4. Makes inadequate provisions for compensating the tribals with lands that are equal in quality to the traditional areas they will lose. Inadequate provisions exist in the Agreement for resettling the tribals in forested zones, such as those which presently cover some 32 per cent of their area.
5. Whereas compensatory landholdings are to be allotted to "landed" tribals only, no guarantees are made for providing the so-called "landless" tribals with land.
6. Contrary to the terms of Article 6 of ILO Convention No. 107 the minimal objective of the resettlement programme is only to retain the standards of living of those displaced. There is no evidence that the development of the tribal peoples themselves is to be given a "high priority" in the overall scheme.

The World Bank, in its letter to the Office dated 23 December 1985, has stated that "the Bank's policy and arrangements on this project are in no way inconsistent with, nor do they fall short of, the provisions of" Convention No. 107, drawing attention to an explanatory letter to Survival International, a copy of which was provided. The Committee notes that the World Bank has adopted a policy in respect of such issues, contained in a document entitled "Tribal Peoples and Economic Development: Human Ecologic Considerations"

(World Bank, 1982), a copy of which is available to the Committee. It notes further that obligations undertaken in the context of the Convention's ratification fall on the Government of India, and not on the World Bank. The Committee expresses its appreciation to the World Bank for furnishing information in this respect.

The Government has stated in its reply that the Government of India and the State Governments concerned are fully aware of and committed to the present Convention, and that while implementing the resettlement and rehabilitation programme, the Government and the Project Authorities will ensure that the Convention is not violated. It states that in planning the resettlement and rehabilitation programme, advisory committees were formed at several levels, in which non-official representatives of the affected people were included to articulate their interests. In addition, independent institutions have been appointed to monitor and evaluate the conditions of the "oustees" after resettlement for a minimum period of ten years. The Agreements with the World Bank stand on their own and lay down a minimum that is required to be done for effective resettlement and rehabilitation, and this does not in any way prevent the Project Authorities from implementing a programme which is superior to the one envisaged in the Agreements with the World Bank.

While noting that Survival International indicates in the supporting documentation which it has provided, that the much larger hydroelectric and irrigation scheme of which the Sardar Sarovar Dam and Power Project is the first stage, will not ultimately be of benefit to economic development (see below, extract from Article 12(1) of the Convention), the Committee does not consider that it is competent to examine such issues. Nor will it examine in detail at this stage the question of whether the present arrangements meet the requirements of Article 6 of the Convention, calling for high priority to be given to the "improvement of the conditions of life and work and level of education of the populations concerned ... in plans for the overall economic development of areas inhabited by these populations". (It does note in this connection that the Government has communicated information indicating that it plans a co-ordinated development programme for those persons, including tribals, who are being displaced.) The issues which do appear to call for examination at this stage relate to the resettlement and rehabilitation of the tribal peoples who are being or are going to be displaced, with reference to the following Articles of the Convention.

Articles 11, 12(1) and 12(2) of the Convention. The question involved is whether the arrangements adopted for the resettlement and rehabilitation of some 60,000 tribals are adequate to ensure conformity with these provisions of the Convention.

The displacement of the tribal populations concerned from their traditional lands, whether or not they possess title, is covered by Articles 11 and 12(1) of the Convention, which provide respectively that "The right of ownership, collective or individual, of the members of the populations concerned over the lands which these populations traditionally occupy shall be recognised" (Article 11) and that "The populations concerned shall not be removed without free consent from their habitual territories except in accordance with national laws and regulations ... in the interest of national economic development ..." (Article 12(1), extract). No information is available to the Committee on the national laws and regulations which authorise the Government to undertake the present removals, and the Committee hopes to receive detailed information on this point in the Government's next report. The Government has referred in its reply to guide-lines laid down by the Narmada Water Disputes Tribunal for the compensation package and infrastructural facilities to be provided in the rehabilitation zones. The Committee would be grateful if the Government would also communicate a copy of these guide-lines. It notes, however, that these guide-lines appear to refer to what happens following displacement.

The Committee refers to points 1 and 2 of the IFPAAW letter, quoted above. A distinction is made in Appendix 3 of the Development Credit Agreement, which provides the basic guide-lines for the resettlement and rehabilitation of the "oustees" (i.e., those being displaced from their

present locations), between "landed" and "landless" oustees. The Government also refers to this distinction. According to the Government's reply, there is no provision in the national legislation or that of the States for collective ownership by tribals of the lands they occupy except for tribal groups in Nagaland (not affected by the present project); but a certain number of the tribals have acquired individual title to some or all of the lands they cultivate. These are the "landed" oustees. According to the Development Credit Agreement (section 3 of Schedule 3), "Each landed oustee shall be entitled to and allotted irrigable land in the State in which he chooses to resettle, of equal size to that which he owned prior to his resettlement, subject to the applicable land ceiling laws, acceptable to him", with a minimum entitlement of at least 2 hectares.

With regard to point 1 of the IFPAAW letter, the Committee notes that section 1 of Schedule 1 of the Development Credit Agreement provides that one of the main objectives of the Plan for Resettlement and Rehabilitation of the Oustees shall be that the oustees "be relocated as village units, village sections or families in accordance with the Oustee's preference", which goes some way toward providing for the possibility of maintenance of community life. It hopes that the Government will provide detailed information on how it intends to implement the above-mentioned objectives, taking into account Article 11 of the Convention.

As regards "landless" tribals, the Committee notes the statement in the IFPAAW comments that the majority of the tribals do not hold legal title to the lands they occupy. These tribals live principally from cultivation of plots on State-owned land, or from utilising forest products obtained from State-owned lands, or a combination of the two. Section 4 of Schedule 3 to the Development Credit Agreement provides: "Each landless Oustee shall be rehabilitated in the agricultural or non-agricultural sectors, as the case may be, and shall be entitled to stable means of livelihood in accordance with the objectives set forth in paragraph 1 of this Schedule." There is no provision in the Agreements for land to be provided to them. In its letter of 19 December 1985 to Survival International, which was also communicated by it to the ILO, the World Bank states in this connection that "With regard to lands occupied by people without legal title, the Agreements specifically provide that in order to increase or at least retain the standard of livelihood, landless oustees will be rehabilitated in the agricultural or non-agricultural sector in ways which ensure that the landless, most of whom are tribal peoples normally reluctant to adopt fixed abodes and agricultural activities as livelihood, have their standards of living protected at a minimum."

The Government has stated in its reply that the State Governments are providing rehabilitation for the landless by the provision of other means of assured livelihood, "though not necessarily by ownership of land in the new plots". The emphasis is more on proper rehabilitation rather than on the provision of land. The Government states that a Training Institute has been opened at the project site specifically to improve the skills of landless oustees, and that they are being given preference in employment in connection with the project itself and with other development programmes.

The Committee notes that the tribal peoples who are considered landless are occupying lands in the sense of Article 12(2), and thus should be entitled to "lands of quality at least equal to that of the lands previously occupied by them, suitable to provide for their present needs and future development. In cases where chances of alternative employment exist and where the populations concerned prefer to have compensation in money or in kind, they shall be so compensated under appropriate guarantees" (see points 3, 4 and 5 of the IFPAAW comments). The Committee notes that this provision does not refer to lands owned by dispossessed tribal peoples, but to "the lands previously occupied by them" (emphasis added). The Committee notes that the Agreement, and the other arrangements referred to by the Government, do appear to provide the kind of alternative employment and other compensation provided for in the final sentence of Article 12(2). However, this sentence must be read in connection with the previous sentence. There is no indication in the Agreement or in the Government's reply that the landless tribals were offered any possibility of alternative lands. The Committee therefore considers that

the arrangements made do not ensure prima facia that the requirements of Article 12(2) of the Convention are met as regards "landless" tribals who were in actual occupation of land, though without legal title.

The Committee notes, however, an Order of 4 February 1986 by the Supreme Court of India (Writ Petition (C) No. 7715 of 1985) concerning some of the "landless" tribals affected by the construction of this project. This Order recognises the human problems arising out of displacement of a large number of tribals and other persons. It appoints two persons to supervise the application of the Order, which requires that the persons being dispossessed "shall be provided either alternative land of equal quality but not exceeding three acres in area and if that is not possible, then alternative employment where he would be assured a minimum wage." The Committee notes that this Order gives preference to furnishing alternative land, and hopes that the Government will provide detailed information on its implementation in practice and on whether its application is extended to other "oustees".

The Committee notes also that, according to the information available to it, some of the tribals who do have title to some lands also make use of lands to which they do not have title, in pursuit of their traditional lifestyles. The IFPAAW comments also raise questions as to the compensation these persons will receive for lands which they actually occupy, in the sense of the Convention, without ownership (point 3). The Government has stated that compensation for the loss of the use of these lands is being provided by ensuring alternative employment opportunities in the new locations, as well as by the possibility of collecting minor forest products and firewood in "compensatory afforestation areas". The Committee refers, in this connection, to its comments above concerning Article 12(2).

The Committee recognises that the questions raised in the IFPAAW comments are complex ones without simple solutions. It notes further that the IFPAAW comments state that the project referred to is the first stage of a project which will eventually displace about 1 million of the 40 million tribal people in the country, and that "For this reason it is very important that this first project is handled properly as it may well serve as a model for future developments." It notes in this connection that the Project Agreement with each of the States concerned includes a provision that "(the State) shall adopt and, thereafter, implement within its State boundaries, a resettlement and rehabilitation plan for the Oustees, satisfactory to the (IDA and the World Bank), which plan shall include the principles and objectives set forth or referred to in Schedule 3 to the Development Credit Agreement ... and the institutional arrangements provided for in the Schedule to this Agreement." The Schedule referred to in each case provides for the establishment or continuation of a State body "responsible for planning, co-ordinating and implementing the resettlement and rehabilitation of the Oustees" in accordance with the Development Credit Agreement; and for reporting on a semi-annual and annual basis to the IDA and the World Bank on the implementation of these schemes. The Government has also indicated that bodies have been created to monitor the implementation of the programme. As the texts of the Agreements are not in themselves meant to provide guarantees of the application of the Convention, and the information provided in the Government's reply does not indicate that the arrangements presently in place are sufficient, the Committee hopes that the Government will review the programme in order to meet the requirements of the Convention in the implementation of this and future projects.

The Committee therefore requests the Government to provide further detailed information on the arrangements which are being made in the context of the agreements signed with the IDA and the World Bank, as well as any other information relevant to the relocation of the tribal peoples concerned, which would illustrate how the Government intends to ensure that the Convention is fully applied.

SURVIVAL
INTERNATIONAL
FOR THE RIGHTS OF THREATENED TRIBAL PEOPLES

AW Clausen
President
The World Bank
1818 H Street NW
Washington DC 20433
USA

Dear Mr. Clausen,

We are writing to you to express our grave concerns regarding the World Bank's continued funding of the Transmigration Programme in Indonesia.

The programme, which involves the mass movement of millions of landless poor from the central Indonesian islands of Java, Madura, Bali and Lombok to the less densely populated outer islands, has been promoted as a humanitarian exercise with the primary goal of improving living standards. The promotion of regional development through the provision of the necessary manpower to the outer islands and the strengthening of national unity through increasing ethnic integration are also given as objectives of the programme.

Yet evidence continues to accumulate that even the major humanitarian rationalisations for the programme are flawed. The widespread failure of Transmigration sites and the increasing numbers of settlers engaged in 'second round flows' testify to this.

Of particular concern to us is the impact that this project is having on the forests and peoples of the outer islands. Transmigration, as it is presently being carried out, is leading to the permanent and effectively irreversible destruction of vast areas of tropical forest. Over 3.3 million hectares of tropical forest will be destroyed by Transmigration during the present five year plan. In addition, the destabilised populations from unsuccessful sites are causing further widespread environmental damage, as the settlers abandon their failed sites and lay waste the surrounding vegetation. Moreover, as the recent Forest Review, carried out by three Indonesian Government Departments and the International Institute for Environment and Development, has emphasised, even where sites are successful, serious environmental problems arise, since these areas serve to draw less fortunate settlers to them, placing an unsustainable burden on the fragile tropical forest environment.

Current rates of deforestation in Indonesia have become a cause of global concern, estimates placing the overall rate of forest loss at over one million hectares per year. Transmigration exacts a major part of this terrible toll. We would draw your

attention to the conclusion of the Forest Review team, where they state that:

> *Given the current objectives and operational procedures of the Transmigration Programme, the Team considers Transmigration as the single sectoral activity with the greatest potential to advance forest destruction - often to no constructive result. Whether a 'success' or 'failure' by present standards, Transmigration, as currently managed, can only have negative implications for forest resources.* ***(Review of Issues Affecting the Sustainable Development of Indonesia's Forest Lands*** *GOI/IIED, 1985, Vol II:62).*

Such a conclusion makes clear that the Transmigration Programme is entirely incompatible with the World Bank's own environmental policy guidelines, where the Bank states that it:

9a. *Endeavours to ensure that each project affecting renewable natural resources (eg as sink for residue or as a resource for raw material) does not exceed the regenerative capacities of the environment;*

9b. *Will not finance projects that cause severe or irreversible environmetal detrioration, including species extinctions without mitigatory measures acceptable to the Bank...* ***(Environmental Policies and Procedures of the World Bank,*** *Office of Environemntal and Scientific Affairs, May 1984).*

Transmigration takes as its starting point the assumption that the outer islands are 'underpopulated' and 'underdeveloped'. Yet, in fact, these areas are the traditional homelands of a large number of viable and vigorous societies which have developed sophisticated systems of resource use subtly adapted to their prevailing environmental circumstances. Transmigration, by alienating these peoples' from their traditional lands and forcing them to participate in development projects, many of which are environmentally and economically inappropriate, is destroying the very basis of their ways of life.

As you will be aware, Indonesian law, while ostensibly recognising traditional (adat) land rights, completely subordinates these rights to State interests (**Basic Agrarian Law** No 5 1960). Special legislation relating to Transmigration further weakens these rights. For example, Clause 17 of the Basic Forestry Act, Clarification Act NO 2823 of 1967, states:

> *The rights of traditional law communities may not be allowed to stand in the way of the establishment of Transmigration sites.*

The effect of these and other laws is to deny the land rights of tribal peoples practising non-sedentary forms of land use. Compensation payable to these people is limited to payment for the destruction of their standing crops and buildings but not for loss of their hunting, gathering and fishing territories. Instead of respecting the rights of tribal peoples to their traditional lands and resources, Government policy obliges these peoples to abandon their traditional ways of life, leaving them with no alternative but to integrate into Transmigration settlements where they find themselves outnumbered by outsiders and despised for their 'primitive'

customs. In many provinces, Transmigration is leading tribal peoples to become a minority on their own lands.

The dispossession that is an inevitable part of Transmigration is causing an escalation in inter-ethnic tensions. Particularly in West Papua (Irian Jaya), tribals, who have resisted the takeover of their lands, have been accused of being members of proscribed secessionist movements and have been subjected to security operations by the Indonesian armed forces. These actions are leading to a bloody escalation of the conflict between tribal peoples and the military. In West Papua, which, with a total population of 1.2 million, has been designated to receive about 685,000 settlers in the next five years, there have been widespread reports of human rights abuse associated with the programme.

One of the most worrying and evident expressions of the problems Transmigration is causing is the continuing exodus of tribal people from West Papua into neighbouring Papua New Guinea. According to the United Nations High Commission for Refugees, there are presently 10,500 refugees in camps all along the border, including about 500 new arrivals in the last few months (**Refugees** February 1986). Successive reports from those in direct communication with the refugees have noted that land alienation, resulting primarily from the Transmigration programme, has been a major cause for their flight. Refugees report the bombing of villages, indiscriminate shooting, imprisonement, torture, rape, the burning of settlements and the killing and stealing of livestock (**The Status of Border Crossers from Irian Jaya to Papua New Guinea** Report by the International Commission of Jurists, Australian Section, January 1985).

Taken together, these facts make it abundantly clear that Transmigration as it is being implemented is directly contravening the terms of the World Bank's guidelines for the development of tribal areas (**Tribal Peoples and Economic Development: Human Ecologic Considerations**, World Bank, 1982).

Moreover, it is clear that these violations of human rights are not just the result of the poor planning and implementation at the local level but are inherent in the legislation and policy of the programme. The ethnocidal intent of Transmigration was made abundantly clear at the special seminar on Transmigration hosted by the Minister of Transmigration, Martono, on March 20 1985 where he stated:

> *On 28 October 1928, a youth congress was held concluding that we are one nation, the Indonesian nation; we have one native country, Indonesia; one language, the Indonesian language. By way of Transmigration, we will try to realize what has been pledged, to integrate all the ethnic groups into one nation the Indonesian nation....The different ethnic groups will in the long run disappear because of integration ... and there will be one kind of man...*
> ***(Proceedings of the Meeting between the Department of Transmigration and the Inter-Governmental Group on Indonesia**, Jakarta, March 20 1985: 4, 41.)*

The Bank, in its policy guidelines, has explicitly rejected such integrationist policies towards tribal peoples (World Bank 1982, op. cit.:27), instead insisting on an 'intermediate policy' which 'allows the retention of a large measure of

tribal autonomy and cultural choice'. This has nowhere been provided for in the Transmigration Programme.

The Indonesian Government has stated that Transmigration is considered of great importance as an exercise in promoting 'national security'. As General Murdani, the commander in chief of the Indonesian Armed Forces made clear in March last year, Transmigration is considered to be 'the only programme in the economic field, that must quite categorically be tied in with defence and security considerations... The preparation of sites and the removal of obstacles to land availability need to be given special focus because the choice of locations is related to the concept of territorial management...' (**Sinar Harapan** 8 March 1985). In West Papua, these concerns are manifested in the Government's plans to settle a 'cordon sanitaire' of militarised (saptamarga) settlements along the border. In November last year, the Minister of Transmigration, Martono, announced that Transmigration was to be given a priority in border areas (**Kompas** 6 November 1985).

In view of the considerable and steadily growing evidence that widespread environmental and human rights abuses are not only associated with but actually integral to the present manner of the Transmigration Programme's implementation, we strongly urge that the Bank carefully reviews its present policy of supporting the project. While this is being carried out, we also strongly urge that the Bank takes immediate steps to halt funding the programme. Funding for Transmigration should not be renewed until there are guarantees that it is to be carried out in line with the Bank's guidelines for the development of tropical forest regions and areas inhabited by tribal peoples and that it will not lead to the destruction of the environment, the alientaion of tribal peoples from their lands and the abuse of their right to self-determination.

We look forward to learning how you plan to deal with this matter,

yours sincerely

Robin Hanbury-Tenison
President
Survival International

Lord Avebury Honorary President Tapol	UK
Edward Goldsmith Editor The Ecologist	UK
Nicholas Hildyard Fellow Wadebridge Ecological Centre	UK
Des Wilson Campaigns Director Friends of the Earth (International)	Int.
Jonathan Porritt Director Friends of the Earth (UK)	UK
Peter Davies Director Anti-Slavery Society	UK
Dr. Bernard Juillerat Researcher Centre National de Recherche Scientifique	France
Ola Persson Chairman Fourth World Association of Sweden	Sweden
Bruce Rich Senior Attorney Environmental Defense Fund	USA
David Wirth Senior Project Attorney Natural Resource Defense Council	USA
J Karubui Secretary West Papuan Observer	Holland
Ben Whittaker Director Minority Rights Group	UK
Patricia Adams Director, Third World Research Energy Probe	Canada
Brent Blackwelder President Environmental Policy Institute	USA
Anil Agarwal Director Centre for Science and Environment	India
Chairman Environment Liaison Centre	Kenya

Janet Barber
Director of Conservation
World Wildlife Fund (UK) — UK

Rev. Peter Van Lelyveld
General Secretary
Dutch Inter-Church Aid — Holland

Jan Lucas Van Hoorn
International Secretary
Politieke Partij Democraten 66 — Holland

Tom Burke
Chairman
Green Alliance — UK

Jacques de Kort
President
Workgroup for Indigenous Peoples — Holland

Jason Clay
Director of Research
Cultural Survival — USA

Tilman Zulch
Chairman of the Board
Gesellschaft fur Bedrohte Volker — Germany

Andrew Gray
Co-Director
International Work Group for Indigenous Affairs — Denmark

Jan Muter
Komitee Indonesie — Holland

John Phua
Bakun Dam Committee
Environment Protection Society of Malaysia — Malaysia

Barbara Bramble
Director Of International Programmes
National Wildlife Federation — USA

Malcolm Harper
Director
United Nations Association (UK) — UK

Campbell Plowden
President
Tropical Ecosystems Research and Rescue Alliance (TERRA) — USA

SM Mohd Idris
President
Sahabat Alam Malaysia — Malaysia

Malaysian Sociological Research Institute
Kuala Lumpur — Malaysia

David Feith
Researcher
Asian Bureau Australia — Australia

STATEMENT OF WOUTER J. VEENING, COORDINATOR, INTERNATIONAL UNION FOR CONSERVATION OF NATURE AND NATURAL RESOURCES

DEGRADATION OF WORLD ENVIRONMENT

Senator KASTEN. Our next witness on this panel is Mr. Wouter Veening, International Union for Conservation of Nature and Natural Resources from The Netherlands.

We welcome you, and we look forward to your testimony.

Mr. VEENING. I am very honored to appear this morning for a hearing of one of the most powerful bodies in the world. I am also very pleased to be with this subcommittee because I know you have been very effective in promoting a cause of common concern.

My name is Wouter Veening, and as you said, I work with The Netherlands National Committee for International Union for Conservation of Nature and Natural Resources, and I work as Coordinator of the World Conservation Strategy. The Dutch Government participates as an observer on this committee and funds our work, partly, but it has to be seen by this committee as primarily a nongovernmental body. What I am going to say is from a primarily nongovernmental point of view.

In our country, there is growing concern about the degradation of the world environment, especially in the developing countries. Figures like 25 billion tons of fertile soils being blown or washed away each year, or the disappearance each year of a tropical forest area equal to the size of Switzerland are beginning to mean more and more to ever larger groups in our country.

There is also a growing concern in our country that much of this environmental destruction in the Third World is a result of development projects financed by multilateral aid institutions such as the World Bank, the Asian Development Bank, and the Inter-American Development Bank, in which my country is involved.

Apart from the misery of the people and the other living beings directly involved, as Mr. Colchester has already mentioned, by the damage to their environment, it is well understood that the future of the world is at stake. The confrontation of a growing world population with a shrinking amount of fertile soil, good quality water and fuel resources will inevitably lead to tensions and eventually to military conflicts.

It is one of the classical causes of war. Because of the global interdependencies there is always the danger that a local, ecological war may turn into something much bigger.

It was the conservation and academic community in The Netherlands that first called the attention of the media and the Government to the destruction of the tropical rainforests around the world. Because of its former colonial ties with Indonesia and Surinam, Dutch Guyana, there is much expertise on tropical forests in our country, especially the tropical forests in Southeast Asia and Amazonia.

These conservationists have set up the national committee, which I just mentioned, for which I work, as its means to promote research and other activities to find out what our country can do to prevent further destruction, and to rehabilitate the stricken areas. I want you to know that this committee represents all of the major environmental NGO's in The Netherlands, with a total membership of half a million. Our total population is 14.5 million.

TAPIOCA CONNECTION

One of the most spectacular research projects which this committee has promoted, and which shows the involvement of The Netherlands in the world ecology, is what is called The Tapioca Connection.

You have to know that The Netherlands is the second largest exporter of agricultural goods in the world. The United States is the first, and we are the second. We export an annual worth of $40 million, almost $50 million Dutch gilders of agricultural products.

We are a very small country. We are only the size of one-quarter of Illinois. So these exports require tremendous amounts of imports. We have found that much of the import comes from Thailand. In The Netherlands, we have 12 million pigs, and the tapioca they feed on comes from the cassava production in Thailand and we import 2.8 million tons of tapioca each year, and we use an area in Thailand of 560,000 hectares. This is combined with soya, which comes from Brazil and the United States, and this is what we feed to the pigs, and it is an important part of our exports. The cassava and soybean productions have both a direct and indirect effect on the tropical forests in the regions where these products come from.

DUTCH RESPONSE FOR FOREIGN AID POLICY

I will now say something about the response of the Government and the political system in The Netherlands on these issues that have been referred to them.

Members of the Dutch Parliament, cabinet ministers, and Government officials have reacted positively when presented with information on the degradation of the world ecology. An important part of this response regards the foreign aid policy.

The Netherlands spends about 1.5 percent of its gross national product on foreign aid. At the moment, this amounts to about 5 million Dutch gilders a year, which is about 2 billion U.S. dollars at the present time, 75 percent is being spent by bilateral channels in the so-called program countries, Bangladesh, Egypt, India, Indonesia—they are all in my written statement—and in so-called program regions, Southern Africa, the Sahel, and Central America.

We have ecological guidelines for these bilateral aid projects as an official part of our policy. Our Minister of Development Cooperation supports very strongly the Tropical Forest Program, and called for action as was just mentioned by one of the previous witnesses. We will add more foreign aid money to this program, which we support also by research efforts.

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We think that in the bilateral sphere, things are going in the right direction, maybe not as far as we would like. We, as NGO's, point to the inspiring example of the United States when our debates go on, to have biological diversity as a legal objective for aid, and we are pressing for the same thing in The Netherlands for our foreign policy.

Twenty-five percent of our foreign aid is spent through multilateral channels, through the World Bank and the other multilateral development banks, the European Community, which has the European development funds and investment banks.

We are very much inspired by the depth and effectiveness of the work of our American counterparts. You have mentioned the name of Bruce Rich. We as a National Committee for IUCN send our concerns about the destructive projects of the multinational development banks to the Minister of Finance and the Development Cooperation.

Of course, we have also sent to them the very encouraging response of the U.S. Government, which you, Mr. Chairman, have been so active to promote. The Dutch Government attaches much importance, as I know, to the position of the United States in the multilateral development banks, and we know that a Dutch response to the American is being discussed at the moment within the Government. If you would like to hear the official position, you have to talk to the official people of The Netherlands in this country.

As members of the European environmental movement, we are very pleased that the principles of the World Conservation Strategy must now be applied in the aid relations between the European Community and the associated developing countries on behalf of the Lome Convention.

TRANSMIGRATION PROBLEM

Mr. Chairman, there has been talk in this testimony of the transmigration problem. As a country which has many ties with Indonesia, we are very much interested in these problems, and we hope very much that the meetings of the IGGI, the Inter-Governmental Group for Indonesia, which is chaired by the Dutch Minister of Development Cooperation, will include the ecological aspects of the Indonesian development projects, especially the Transmigration Project.

I am not sure at the moment if this is going to be discussed, and we would like very much that the United States, which is part of the conference, would bring up these issues on the agenda.

PRESERVATION OF BIOLOGICAL DIVERSITY

My final remark, Mr. Chairman. The conservation community in The Netherlands thinks that the emphasis on preservation of biological diversity in U.S. aid policy and the American position on the ecological aspects of the activities of the multilateral banks is very inspiring and it trusts that at both the governmental and nongovernmental level much cooperation will be possible to contribute to a common sustainable future for the world. Thank you

[The prepared statement of Mr. Veening follows:]

PREPARED STATEMENT OF WOUTER J. VEENING

COORDINATOR

WORLD CONSERVATION STRATEGY,

NETHERLANDS NATIONAL COMMITTEE FOR THE

INTERNATIONAL UNION FOR CONSERVATION OF NATURE

AND NATURAL RESOURCES

Mr, Chairman, I am very honored to appear this morning to testify before one of the most powerful bodies of the world. I am also very pleased to be with this subcommittee because I know you have been very effective in promoting a cause of common concern. Let me first identify myself. My name is Wouter J. Veening and I work with the Netherlands National Committee for the International Union for Conservation of Nature and Natural Resources (IUCN) as Coordinator of the World Conservation Strategy. Although the Dutch government participates as an observer in this committee, it has to be seen as primarily a non-governmental body. I am speaking therefore from a non-governmental point of view.

I. Introduction

In the Netherlands there is a growing concern about the degradation, disruption, and destruction of nature and the environment around the world, especially in the developing countries. Pictures of the desertification and concomitant famine in Africa, the erosion in the Himalayas, the deforestation and destruction of indigenous peoples' habitats in Amazonia and South East Asia can be regularly seen on television and receive much attention in the press. Figures like the 25 billion ton fertile soil that is blown or washed away each year and the disappearance each year of a tropical forest area equal to the size of Switzerland are beginning to mean something to ever larger groups. There is also a growing concern in the Netherlands that much of this environmental destruction in the Third World is a result of development

projects financed by multilateral aid institutions such as the World Bank, the Asian Development Bank, and the Inter-American Development Bank.

Apart from the misery of the people and the other living beings directly affected by the damage to their environment, it is well understood that the future of the world is at stake. Tropical rainforests are the richest ecosystems in the world with a genetic diversity that has to a large extent yet to be discovered. In this world, where 30 plant species provide 95% of human nutrition, protection of genetic diversity deserves the highest priority. There will be no long-term food security without a pool of genetic resources which can be drawn upon to develop new productive resistant crops. The climatic changes that could result from massive deforestation will be very destabilizing. The confrontation of a growing world population with a shrinking amount of fertile soil, good quality water and fuel resources will inevitably lead to tensions and eventually to military conflicts. It is one of the classical causes of war. Because of the global interdependencies there is always the danger that a local, ecological war may turn into something much bigger.

In the rest of my statement I will talk more about the response of the Dutch society towards the ecological problems of the world. A more elaborate description of the Dutch position can be found in the document "The Netherlands and the World Ecology. Towards a National Conservation Strategy in and by the Netherlands, 1986-1990.", Amsterdam, April 1986. This document can be obtained at the Netherlands National Committee for the International Union for Conservation and Natural Resources, Damrak 28-30, 1012 LJ, Amsterdam, Netherlands. If you desire, Mr. Chairman, a copy of this document can be provided for the record.

II. The Conservation and Academic Community

It was the conservation and academic community in the Netherlands that first called the attention of the media and the government to the destruction of the tropical rainforests around the world. Because of its former colonial

ties with Indonesia and Surinam (Dutch Guyana), there is much expertise on the tropical forests of South East Asia and Amazonia in the Netherlands. The faculty of Tropical Forestry at the Agricultural University of Wageningen and the royal Tropical Institute in Amsterdam are internationally famous drawing students from all over the world. It was people from these institutions that regularly visited these regions and saw the destruction occurring there. They saw the commercial logging, the transformation of virgin forest into plantations, the inundation of large tracts by hydropower dams, and, of course, the slash-and-burn practices of an explosively growing local population. Much of this destruction was (and still is) caused, either directly or indirectly, by bilateral or multilateral aid projects. Concerned conservationists and scientists set up the Netherlands National Committee for the International union for Conservation of Nature and Natural Resources (IUCN) as a coordinating body for further research and other activities. World Wildlife Fund-Netherlands is an important member of the National Committee, and, as I mentioned earlier the Dutch State, itself a member of IUCN, participates as an observer in the Committee.

Campaigns launched by World Wildlife Fund-Netherlands, chaired by Prince Bernhard, husband of the former Queen and now Princess Juliana, resulted in the expenditure of several million Dutch guilders for conservation projects in Indonesia (mainly management and training for reserves). Other lobbying activities have resulted in the appointment of an ecological adviser to the Minister of Development Assistance. A study was carried out on the imports and uses of tropical hardwood in the Netherlands: where does it come from, for what is it used and what substitutes are available or can be developed? (Yearly imports are about 1 million cubic meters; 80% comes from South East Asia, 18% from Africa and 1.5% from Latin America; principal uses are for doors and windows, and use of preserved soft wood is the most promising alternative.)

The most spectacular research project has been on the ecological effects of Dutch agricultural exports and imports. These exports and imports are now known to closely link the Dutch economy to the ongoing degradation of the

global ecosystem. To illustrate, we are the largest exporter of agricultural goods in the world after the U.S.A., and being a small country (about 1/4 the size of Illinois), we require a tremendous amount of imports. We use 2.8 millions tons of tapioca, requiring a cassava production area in Thailand of 560,000 hectares. Together with soya from Brazil and the U.S.A., the tapioca is fed to 12 million Dutch pigs, which in turn constitute an important part of Dutch agricultural exports. The cassava and soybean production have both direct and indirect effects on the tropical forests in the regions of production. Another facet of this research project concerns palm oil production in Malaysia for the Dutch food industry. Vast stretches of land formerly occupied by the very rich Malaysian rainforest have been transformed into palm oil plantations.

Additional important environmental studies, e.g., on the ecological effects of uranium mining in the Sahel (Niger) for the nuclear reactors in the Netherlands and on Dutch mining enterprises in Amazonia, are being carried out. It is the aim of the Dutch conservation movement to get as clear a picture as possible of the involvement of Dutch society in the degradation of the world environment and then to suggest changes of government policies, corporate behavior and consumption patterns. It is strongly felt by the Dutch conservation and environmental movement that a rich country such as the Netherlands should do everything possible to promote sustainable development in the rest of the world. Since its agricultural ways cause serious domestic pollution, the Netherlands itself might profit from some changes as well.

In 1985 the Dutch Ministry of Education and Science gave financial support to a four-year stimulation program for research in tropical humid forests by the combined Dutch universities. At six sites around the world Dutch research institutions, in conjunction with their counterparts from the countries involved, are to carry out field research that should provide valuable information on the sustainable uses of these forests. World Wildlife Fund-Netherlands and the Dutch government provided the funds for a wetlands information system at the University of Leiden. It will include a list of executed and planned wetland projects and available on experienced or

predicted ecological effects and their mitigation. The system will occupy a central place in the global IUCN network on wetlands.

The Working Group on Indigenous Peoples in the Netherlands has started a campaign to raise awareness in the Netherlands and Europe about the plight of the Amazonia Indians. Out of 2 million in 1960, only 650,000 Indians are left. This campaign is closely linked with IUCN efforts to save the Amazonian rainforest, and is carried out in cooperation with other international organizations.

Now I would like to focus briefly on the economic and political responses in the Netherlands.

III. The Economy

Mainly because of the domestic pollution and the surpluses caused by the European Common Agricultural policy, Dutch agriculture has begun to realize that it has to change. It has become clear that dumping of surpluses on the world market adds to the world hunger problem because it discourages local farmers in the developing countries since they cannot compete with such low prices. Combined with the information on the ecological effects of Dutch agriculture from the above mentioned projects, this part of the Dutch economy may move in the direction of more sustainable production and trade patterns in the near future.

Dutch trade associations in tropical hardwood realize that when the tropical forests disappear there is not much future in their trade. They participated in the study on the imports and uses of tropical hardwood mentioned previously and they support the conclusions of that study.

Dutch consultants and contractors have been traditionally active in the construction of polders, dikes, drainage of wetlands and dredging projects around the world. Awareness now is growing among the consulting community in the Netherlands that many wetlands constitute invaluable ecosystems, and that when left to themselves or when managed

carefully, they contribute more to human welfare than when transformed into large-scale agricultural projects such as those financed by the World Bank and its counterparts.

The Netherlands is one of the homes of Shell, the second largest corporation in the world and among others the biggest manufacturer and exporter of the "drins", pesticides which are forbidden for use in the Netherlands and the rest of Europe. With other manufacturers and exporters of pesticides it has, however, agreed to participate in a voluntary "prior informed consent" procedure, i.e., after notification of the export of certain listed chemicals, the importing country has to give its informed consent before the export can actually take place. It is hoped that this procedure will lead to more careful uses of pesticides in developing countries that still need them, thus diminishing threats to human health and the environment.

Information concerning the involvement of Dutch private banks in the financing of projects that are or may be detrimental to the environment in other countries is not yet available to the non-governmental community. To assemble more information on this part of the private sector, as well as its links tp publicly financed international aid agencies, will be one of the priorities of the Dutch environmental movement in the near future. In addition we will be devoting more attention to ecologically sound solutions to the international debt crisis.

IV. The Political System

Members of the Dutch Parliament, cabinet ministers, and government officials have reacted positively when presented with information on the degradation of the world ecology and suggestions by the conservation movemenet to change the relevant policies. In 1980, the World Conservation Strategy, launched by the International Union for Conservation of Nature and Natural Resources, World Wildlife Fund and the United Nations Environment Programme, was accepted on behalf of the Dutch government by Prince Claus, husband of

Queen Beatrix. The World Conservation Strategy requires the preservation of the large life-support systems in the world, the protection of genetic diversity and the sustainable use of the available natural resources. Sympathetic reactions since 1980 have led to financial support for the studies on agriculture and tropical wood that I mentioned earlier, the acceptance of the "prior informed consent" provision in the Bill of Environmentally Dangerous Substances, the insertion by the Dutch delegation of the principles of the World Conservation Strategy in the UNCTAD Agreement on Tropical Timber.

In addition to these positive steps, changes, or the announcement of changes, have been made in our bilateral and multilateral aid policies. The Netherlands spends about 1.5% of its Gross National Product on foreign aid. At the moment this amounts to about 5 billion Dutch guilders a year. 75% is spent via the bilateral channels in the so-called programme countries (Bangla Desh, Egypt, India, Indonesia, Kenya, North Yemen, Pakistan, Sudan, Sri Lanka, Tanzania) and programme regions (Southern Africa, the Sahel and Central America). As has been already mentioned, the Minister of Development Cooperation has a special ecological adviser on the use of ecological guidelines, environmental impact statements, environmental country profiles or National Conservation Strategies in programme countries. The minister has announced that, when dealing with other donors (bilateral or multilateral), she will bring in these ecological considerations. The Dutch conservation and environmental community is very pleased with these developments in foreign aid policy. More has to be done, however, and conservationists point to the U.S.A. where debate is going on to the make the preservation of biological diversity an obligatory objective of U.S. aid policies. On the other hand, a warning is in order: a new emphasis in bilateral aid programs that seeks to increase the involvement of the Dutch private sector could potentially result in unsustainable development because the products and technologies that the Dutch industry can deliver often do not fit into the culture, ecology and administration of the aid receiving country.

The other 25% of Dutch foreign aid is spent through multilateral channels

such as the World Bank, the regional development banks, the European Community with the European Development Fund and the European Investment Bank and several UN Agencies. Very much inspired by the depth and effectiveness of the work of their American counterparts, the Dutch National Committee for the International Union for Conservation of Nature and Natural Resources communicated its concern over the often ecologically destructive projects of these multilateral development institutions to the Ministers of Finance and the Development Cooperation. Of course, the very encouraging response of the U.S. government has been brought to the attention of the ministers and Parliament as well. It is well known that the Dutch government attaches much importance to the position of the U.S.A. in the multilateral development banks, and we know that a Dutch response to the American position is being discussed at the moment within the government. It is clear that Members of Parliament are going to pay much more attention to the ecological aspects of the work of the multilateral banks during the budget debates in the coming years.

As members of the European environmental community, the Dutch organizations are very pleased that the principles of the World Conservation Strategy must now be applied in the aid relations between the European Community and the associated developing countries on the basis of the Lome Convention.

Because of its interest in the preservation and sustainable use of the Indonesian rainforests and other natural resources the Dutch environmental community, together with environmental organizations from the rest of the world, hopes very much that the yearly meetings of the Intergovernmental Group for Indonesia (IGGI) will include the ecological aspects of the Indonesian development projects on the agenda. The IGGI meetings, which bring together all donors to Indonesia, both bilateral and multilateral, are chaired by the Dutch minister of Development Cooperation and are being held in the Netherlands.

V. Final Remarks

The conservation community in the Netherlands thinks that the emphasis on preservation of biological diversity in U.S. aid policy and the American position on the ecological aspects of the activities of the multilateral banks is very inspiring and it trusts that at both the governmental and non-governmental level much cooperation will be possible to contribute to a common sustainable future for the world.

MEDIA CONTACT

Senator KASTEN. Thank you.

I have a couple of questions, but as I was listening, I wanted to make a comment on your statement.

I hope very much that you, and the people who are about to appear on our second panel, who have come from all over the world, will use this opportunity to meet with not only people here at the various multilateral development banks, but also with people in the media.

We have a lot of coverage today, but you are going to be here, I hope, for more than just a few hours, and during that time, it might be a chance for all of you to be talking with people. This is an opportunity, my guess would be, the major environmental writers have never had, having you all in one place at the same time, working on a specific area of legislative interest and activity.

Mr. Veening, have you had the same problems gathering information and staff reports at the World Bank, or have your Governors and representatives pursued the information and been refused?

Is this a problem that you would recognize, the problem that Patricia Adams referred to earlier?

Mr. VEENING. I think that we have not pursued the issue as far as Canada has at the moment. The situation in The Netherlands is that there is a Dutch Executive Director in Washington, he has almost full mandate by the Ministry of Finance to decide on the various projects. It is very seldom that he reports back to The Hague on certain projects. Discussions of the various projects, especially ecological aspects of the projects, are beginning now in The Netherlands just because we learned from the very inspiring example in this country. Our group went to the Government, to the Ministry of Finance and asked why we couldn't have more information on the projects because we think that it is very important.

This is starting now, and we hope very much that several projects will come back to The Netherlands, and we will have a chance to make our comments on them. This process is going, it is starting now.

ACCOUNTABILITY BY LENDING INSTITUTIONS

Senator KASTEN. I think, as Patricia Adams pointed out, the multilateral development banks have had very little direct accountability to any one. What we are establishing here is an effort, through the funding by the legislative bodies of our country, to impose or to establish that accountability. The accountability is to the elected representatives who are appropriating the dollars, and those elected representatives have an accountability to who they represent. That is what we are trying to do.

You, in your testimony, brought out the fact that there is very little direct accountability. What alternatives would you suggest?

Ms. ADAMS. I think that all of the important documents, and I am reluctant to distinguish between documents, my preference would be that all documents that are produced by any of the banks, especially those to justify a project, for example, an environmental assessment, or an economic assessment, should be available to all the public of each member country. I think that this is something that we could do quickly, and I think that it is something that would be a very productive thing to do, because once that information is available, then there would be a very lively public debate about the basis on which banks are making decisions to fund projects. I think that this is one way to start making them accountable.

I guess another way would be to insist that some sort of review procedure for every single project be done, and that the public in the donor country and the public in the recipient country can have access to information and access to the documents, and can participate in some sort of a review process.

How we would define that process, I am not sure. I think that I would prefer to leave it up to the people in the Third World, but I think the task is to convince us that the projects are being carried out in a fair way. I think that this is where our goal is.

BALANCE OF PRIORITIES

Senator KASTEN. As you recognize, I am sure, we have to have a balance here.

There has to be a balance because overall the goal is to improve the economic circumstances of these developing nations. It would seem to me that something close to the understanding that the United States of America now would clearly be a step in the right direction, and you have suggested that this is something that you are seeking in your legislative process in Canada.

Ms. ADAMS. I think the problem is, and correct me if I am wrong, but I understand that your Governors and executive directors have access to all documents, but they are not allowed to pass those documents over to the public. It is different, as I understand, for U.S. AID. An environmental assessment done by U.S. AID is available to the American, and the American public can then, in turn, give it to the public of the recipient government.

Senator KASTEN. I think, in general, you are correct. My understanding is that they protect the documents, but they don't necessarily protect the information. In other words, they would be in a position of walking out and saying the facts, as I understand them, are as follows, but they would not necessarily Xerox 50 copies and hand them out to everybody in the room.

TRANSMIGRATION PROJECT IN INDONESIA

Mr. Colchester, you talked about the forest destruction from the Transmigration Project in Indonesia. How will that reduce the potential for sustainable development?

One of the points that we are trying to establish in all of the hearings and discussions that we are having is that long term sustainable development clearly is being put back by a number of these policies.

With specific reference to the Transmigration Project in Indonesia, how will that reduce the potential for sustainable development in Indonesia?

Mr. COLCHESTER. The problem with the Transmigration Project is that they have concentrated on resettling people in forested areas, which means clearing the trees off what are, in fact, very fragile soils. It is widely recognized now that many of the transmigration sites have completely failed to sustain even in the short term settlers who have been put on these sites simply because the soils are too poor to sustain any kind of agricultural output, without very, very costly input in fertilizers, pesticides, and herbicides, to maintain any kind of agricultural production on these very, very poor forest soils.

The perspective in Indonesia is, of course, biased by the Javanocentric perspective that the authorities have. Many of them are from the central islands where the soils are much richer than on the outer islands, they view the under-populated outer islands as virgin land, virtually unpopulated, but in fact they are already being sustainably used by the local people in somewhat of a rational, advanced way of using what are actually very difficult forest environments.

It is these very systems and resources that are being destroyed by the Transmigration Project.

SUBMITTED QUESTIONS

Senator KASTEN. Let me thank all of you. There will be additional questions which we will submit to you for the record and you will reply, hopefully, with responses within about 2 weeks. I would like to thank you all for participating in this hearing here today.

I honestly believe that we are making a significant contribution in the process of conducting these hearings and the work that we are doing. I thank each of you for your participation here today.

[The following questions were not asked at the hearing, but were submitted to the witnesses for response subsequent to the hearing:]

Questions by Senator Specter to Patricia Adams

ENVIRONMENTAL STANDARDS FOR THE MDBS

Senator Arlen Specter: What standards should the World Bank and other MDBs use in determining the environmental implications and/or acceptability of a project?

Patricia Adams: The member nations of the MDBs have different minimum standards for determining the environmental acceptability of their domestic projects. In countries with representative governments, those standards can be taken as a pretty good indication of the environmental limits beyond which the public does not want private and public projects to go.

MDB projects are financed with public monies, and as such these limits should not be crossed in the case of MDB projects either. Unless the rules of the game are changed to allow member nations to voluntarily contribute only to those projects they deem acceptable, the World Bank and other MDBs must adopt the standards of the country with the most stringent standards as a minimum standard. Otherwise, citizens of one or more member countries are forced to finance an activity that violates their own standards of minimum environmental acceptability.

Some high standards in a member country (e.g. strict measures to preserve diminishing forests) may not be relevant to a borrowing country. For this reason, the decision-making process should allow for an exemption, with the onus being on the project's proponents (the borrowing country and the MDB) to justify the exemption to the public of the member countries.

I would also add that the public of the borrowing country must have the right and the means to scrutinize the project, evaluate its environmental consequences and the steps proposed by the MDB to mitigate those consequences, and to apply even tougher standards if they so wish.

Senator Arlen Specter: Who should write these standards?

Patricia Adams: As indicated above, these standards should be drawn from standards in the member nations. The staff of MDBs could evaluate the stringency of members' standards for water quality, air quality, and so on and release their conclusions for comment by their members and the public. The Board of Governors of the MDBs would ultimately approve their banks' standards, and periodically update them, for example, to incorporate newer, more stringent standards that may be adopted by member nations.

Senator Arlen Specter: How do we enforce them?

Patricia Adams: This is a critical question because the MDBs claim that they have an existing code of environmental standards but, clearly, they lack the willingness or ability to enforce it.

I believe the only way to ensure that these standards will be enforced is to enshrine the right of the public to a public review process. This would allow the citizens' groups and other

constituencies that will be affected by a project -- in any member country -- to challenge the views of the project's proponents (the borrowing governments and the MDB) with their own expert witnesses and through cross examination. Similarly, they should have the right to challenge an application for an exemption. Once a project is accepted and begun, the only way to ensure that the project's proponents adhere to the standards is for the public to have continued access to information about the project and to the decisions made along the way.

In many countries, because citizens do not have access to information and other political freedoms, and because the borrowing governments and the MDBs, as proponents of the project, cannot be expected to carry out a fair and impartial hearing, the public review process will need to be internationally supervised by an independent body. Countries that are not willing to accept such a hearings process for a project should not be eligible for MDB financing for that project, but could always seek to have that project financed privately or bilaterally by a like-minded country.

Questions by Senator DeConcini to Patricia Adams

PROVIDING DATA AND TRAINING TO OTHER ORGANIZATIONS AROUND THE WORLD

Senator Dennis DeConcini: How can organizations such as the ones you represent provide data and training to other organizations around the world?

Patricia Adams: Research organizations like Energy Probe, the group I represent, can and do provide data to other organizations around the world both through information networks, which are driven by the desire to distribute information and build coalitions for lobbying (such as the International Dams Newsletter, the Pesticide Action Network and the Tropical Rain Forest Network), and more importantly, upon request from other organizations which write to us for information on specific issues or about specific projects that they are concerned about. Our ability to provide this information is severely impeded in the case of the multilateral development bank projects, however, because the banks are able to withhold environmental assessments, details of pending loan agreements, and other documents needed by organizations to evaluate the impact of projects.

Another vehicle through which data is transmitted is direct personal contact at conferences and by staff exchanges.

It is important to point out that the transfer of information, ideas, and skills between citizen's organizations around the world is not always one-way, from the Western nations to the Third World. Rather, I would characterize it as an exchange of whatever information and insights is useful to each other, with people in the Third World often having superior information. Groups in India, for example, are becoming the world's experts on the health effects of methyl isocyanate poisoning.

I see no need to provide training because members of private voluntary organizations in the Third World, by and large, already have the necessary skills, if armed with sufficient information,

to present their case to their constituencies. In this, Western organizations would have no special expertise.

COORDINATING AND INTEGRATING CONCERNS FOR THE ENVIRONMENT ON THE ISSUE OF NUCLEAR POWER IN LIGHT OF CHERNOBYL

Senator Dennis DeConcini: In light of the debacle with the nuclear power plant in the Soviet Union, how can we coordinate and integrate concerns for the environment on this issue in the future?

Patricia Adams: To integrate environmental concerns into our nuclear power programs we should apply mechanisms that make the risk-makers and the risk-takers one. For example, the Soviet Union took a risk on behalf of the rest of the world when it built and ran Chernobyl, so too did GPU when it built and ran Three Mile Island, so too did Ontario Hydro when it built and ran (and still does run) the Pickering nuclear power plant outside of Toronto, the city I live in. The goal is to make those who generate the risk accountable for it.

A variety of mechanisms could be used to make the creators of nuclear power costs financially responsible for those costs, such as emissions taxes and nuclear liability requirements to ensure that the owners of nuclear power stations are responsible for damage to public health and property. Because the environmental costs of nuclear power are transboundary problems (so clearly demonstrated by Chernobyl) so too should be the responsibility for damage caused. At the least, the designers, builders, owners, operators, and parts manufacturers of any nuclear power station involved in an accident should be liable for compensation to all victims.

If we could apply a perfect system of accountability, I expect that we would soon see that it is just too costly or risky to run a nuclear power station. But with or without accountability, I believe that most people, everywhere in the world, think that the costs of nuclear power are just too high. One accident is too many, for this or future generations.

With respect to coordinating concerns, if governments around the world followed the lead of their public, I believe we would soon see a coordinated move to phase out nuclear power programs around the world. And if the U.S. and other countries remove government subsidies to the nuclear power program and make nuclear power compete fairly with the cheaper, cleaner energy alternatives, we would see a trend towards a more environmentally sustainable energy future. In this regard I think the public and industry are increasingly coordinated in their opposition to nuclear power for environmental and economic reasons. It is governments that lag behind their constituencies.

QUESTIONS BY SENATOR DECONCINI TO MARCUS COLCHESTER

Senator Dennis Deconcini: How can organizations such as the ones you represent provide data and training to other organisations around the world ?

Marcus Colchester: Survival International's principle means of information sharing is through its publications. The organisation presently produces a quarterly newsletter, an annual review, occasional special documents, near monthly Urgent Action Bulletins and occasional Information Packs. Public meetings, press conferences, press releases and other media related events are also important means used by the organisation to disseminate information. The organisation also makes representations on human rights issues at international human rights fora, including the United Nations, the International Labour Organisation, the Organisation of American States etc. These oversight hearings have also provided us with an important oportunity to present our findings to a wide audience.

Senator Dennis Deconcini: In light of the debacle with the nuclear power plant in the Soviet Union, how can we coordinate and integrate concerns for the environment on this issue in the future.

Marcus Colchester: Survival International is a human rights organisation that defends the rights of threatened tribal peoples to survival, self-determination and the use and ownership of their traditional lands. It is outside both the mandate and competence of the organisation to comment on this matter.

Questions Submitted by Senator DeConcini to Wouter Veening

DISTRIBUTION OF DATA AND TRAINING

Deconcini: How can organizations such as the ones you represent provide data and training to other organizations around the world?

Veening: Organizations such as the ones I represent, namely the International Union for Conservation of Nature and Natural Resources (IUCN) and the Environment Liaison Centre (ELC) are global in scope and in membership. IUCN has more than 500 member organizations (both governmental and non-governmental) from all over the world. It is the largest international conservation organization in the world. ELC has about 250 member organizations in 64 countries. IUCN promotes scientific research and policy development at all levels for national and international conservation. Through its commissions, at conferences and general assemblies and by means of its bulletins and publications, it brings together conservationists, scientists and policy makers from North, South, East and West. The general public is reached by the World Wildlife Fund, which came from IUCN and can be considered as a twin organization of IUCN. They share headquarters in Gland, near Geneva. IUCN provides the scientific data and through its Commission on Education studies and promotes the best mechanisms for education of target groups and training of environmental managers, administrators and decision makers in the light of these data. It should be noted that conservation not only implies preservation of existing natural values, but also the management of natural resources for the benefit of present and future generations in a sustainable way. For this objective to be reached participation of the population on the basis of understanding is essential. Non-governmental organizations (NGOs) are indispensable intermediaries between policy and population. This is where ELC plays an important role. ELC has a computerized data system of more than 10,000 NGOs worldwide and its activities consist mainly of training NGOs, especially in the less-developed countries, in how to involve decision makers and the population in conservation and environmental management. The data system permits the identification of NGOs for specific projects.
It stands to reason then that the material cooperation between IUCN and ELC will be formalized this year. Thus a worldwide system of data generation and dissemination and training of relevant groups and individuals can be further worked out, that is, of course, if adequate funding can be secured.

NUCLEAR POWER AND ENVIRONMENTAL CONCERN

Deconcini: In light of the debacle with the nuclear power plant in the Soviet Union, how can we coordinate and integrate concerns for the environment on this issue in the future?

Veening: In general the organizations I represent would prefer the abolishment of nuclear power generation as soon as possible or at least in the foreseeable future (the Swedish position). The mining of uranium, the disposal of radio-active waste, the possibility of a nuclear winter - if one would assume a link between civil nuclear power and proliferation - are all very detrimental or even destructive to the ecology of the world. The idea of Japan with all its earthquakes going nuclear, is very frightening.
Both IUCN and ELC are committed to promote energy conservation, the development of renewable sources of energy and the development of

clean technologies for the use of fossil fuels as alternatives for the existing forms of power generation. The development of these alternatives should receive top priority especially by the governments of the rich countries and the multilateral and international institutions they control. The wasteful use of fossil fuels in the rich part of the world forces prices up for less-developed countries and may lure them into nuclear energy, for which they usually do not have the adequate administrative infrastructure. This brings a second Tsjernobyl nearer by.

The OECD, in which all rich nations cooperate, could be a suitable forum.

Special attention has to be paid to Eastern Europe which copes with serious pollution as a result of its power generation and seems to have only nuclear energy as a viable alternative option. They should be helped with the other alternatives just mentioned. The U.N. Economic Commission for Europe, in which East and West meet could be a forum for a dialogue in this field. The West, of course, can only be convincing, when it makes clear that it is backing (or going to back) out of nuclear energy itself.

In the meantime, with nuclear reactors operating all over the world, the existing procedures for inspection and communication have to be refined and improved, also with respect to dismantled reactors.

BORROWER NATIONS PANEL

SKEPHI, INDONESIA

STATEMENT OF NURUL ALMY HAFILD, COORDINATOR FOR SKEPHI, INDONESIA

INTRODUCTION OF WITNESSES

Senator KASTEN. Our final panel represents witnesses who will speak from the borrower nations' point of view. Nurul Almy Hafild is the Coordinator for SKEPHI, the network for Indonesian forest conservation programs, from Indonesia; Marie Allegretti is an anthropologist from the Institute of Socio-Economic Studies in Brazil; Kilaparti Ramakrisha is a Fullbright Fellow at Harvard University, who will be speaking about India; and Rick Lomba, a well-known filmmaker, who will speak on Botswana.

Our first witness is Nurul Almy Hafild, Coordinator for SKEPHI, Indonesia.

Ms. HAFILD. Thank you, Mr. Chairman.

I am Nurul Almy Hafild, a citizen of the Republic of Indonesia. I am the Coordinator of the Network for Forest Conservation in Indonesia, SKEPHI. SKEPHI coordinates the activities of about 20 NGO's all over Indonesia to save the tropical forests for the benefits that they provide for our people and all humankind.

I am aware, Mr. Chairman, of the very valuable efforts of this subcommittee to prevent and reverse environmentally harmful consequences of multilateral development bank projects.

CONDITION OF RAIN FORESTS IN INDONESIA

Before I describe the two World Bank programs, which clearly threaten our tropical forests, I would like briefly to describe the appraisal of tropical forests in my country. The rate of forest destruction in Indonesia is very high. Since 1950, we have lost 49 million hectares of forest, more than 1 million hectares a year. We already have 43 million hectares of forest land which need to be rehabilitated. Twenty million hectares of this is alang-alang grassland, and 23 million hectares are secondary forest succession.

NUCLEUS ESTATE PROGRAM

Here I would like to describe also that the Transmigration Project is not the only program of the World Bank which clearly threatens our tropical forests. There is another World Bank project, that is the tree crop plantation, which is called the Nucleus Estate Program.

The failures of the Transmigration Project have become apparent now. Many transmigrants leave the settlements and return to Java as street people or servants. Others who remain turn to destructive means of earning a livelihood from forestry sources such as illegal logging, and slash and burn farming.

Even if these people remain, their activities ultimately undermine the stated purpose of the project and cannot be considered a measure of its success. The ultimate effects of the Transmigration Project will not be fully apparent for several more decades. Experience in Lampung Province on the Island of Sumatra, where spontaneous transmigration started 20 to 25 years ago, shows the devastating consequences of transmigration activities. It also shows that even successful transmigration is destructive to the soil, forest conditions, and indigenous wildlife.

For example, thousands of endangered elephants in Lampung were driven out of conservation areas established specifically for their protection.

Attempts to halt transmigration are unlikely to succeed. It is a fact. Instead, alternatives must be sought. Social forestry and appropriate rural development activities can alleviate the adverse impacts of transmigration. However, much more care must be taken if transmigration is to succeed.

Mr. Chairman, the World Bank also has invested more than $650 million in a plantation program, known as nucleus estates, or smallholder program. Many of these plantations are located in tropical forest lands, cleared specifically for this program.

I would like to show you this photograph, which shows that this clearing of the forest is specifically for the new plantations, tree crop plantations.

I was born and raised in the plantation area of northern Sumatra. From my experience, I can state with certainty that once a forest area is opened for plantations, the surrounding forest will slowly but surely disappear. The plantation system is like a cancer in the forest.

I am aware that Indonesia needs plantations to secure foreign exchange from exports other than oil, but I don't think that there is a need to locate them in the forest areas. Like the Transmigration Project, this project also has created conflicts with conservation needs. The Sumatran rhino has been so threatened by the plantations that a zoo in the United Kingdom has collected specimens in a desperate attempt to preserve the species from extinction.

Mr. Chairman, my country, Indonesia, is one of the largest borrowers from multilateral development banks. It now has more than $3.1 billion in debt outstanding to the World Bank alone. This amount of money has enormous potential to improve the quality of life in my country, and I am qrateful that Indonesia has been the beneficiary of such extensive development assistance efforts.

DESTRUCTION OF TROPICAL FORESTS

Mr. Chairman, I have described two projects that seriously threaten one of the most valuable resources of the world, it is the tropical forests. As I have already stated, we have tens of millions of hectares of secondary forest and alang-alang grasslands, much of this land is suitable for those plantations, and are a good potential for transmigration sites. Indeed, one company in South Sulawesi has successfully reclaimed alang-alang grassland for a palm oil plantation.

The multilateral development banks should not be financing the senseless destruction of tropical rainforests when such obvious alternatives are available. At the same time, the multilateral development banks should be financing projects to reclaim damaged areas, such as alang-alang grassland. That is why efforts by you, Mr. Chairman, and this subcommittee, are extremely important in making these institutions more aware, make the institutions take the environmental consequences of their activities more seriously.

I am very pleased that you and the people of the United States have the foresight to address these very serious problems before it is too late. I encourage you not only to continue to subject multilateral development bank projects to the strictest scrutiny, but also to encourage activities by these institutions that will help the people of the developing countries toward a future of truly lasting, sustainable development.

Mr. Chairman, this concludes my prepared statement. Thank you very much.

Senator KASTEN. Thank you for summarizing your statement. We are still working within the constraints that I outlined in the beginning of the hearing so that we are able to conclude the hearing and also have time for some questions back and forth among the witnesses.

[The prepared statement of Ms. Hafild follows:]

PREPARED STATEMENT OF NURUL ALMY HAFILD

COORDINATOR

NETWORK FOR FOREST CONSERVATION IN INDONESIA (SKEPHI)

Mr. Chairman, I am Nurul Almy Hafild, a citizen of the Republic of Indonesia and the coordinator of the Network for Forest Conservation in Indonesia (SKEPHI). SKEPHI coordinates the activities of 20 Indonesian nongovernmental organizations (NGOs) throughout Indonesia to save our tropical forests for the benefits that they provide for our people and all humankind. I am fortunate to be in the United States today as a Stephen P. Duggan Fellow of the Natural Resources Defense Council (NRDC). I am very pleased to have this opportunity to testify on behalf of SKEPHI before this Subcommittee concerning the adverse impacts of World Bank projects on the natural resources of Indonesia.

I am aware, Mr. Chairman, of the very valuable efforts of this Subcommittee to prevent and reverse environmentally harmful consequences of multilateral development bank (MDB) projects. This is an extremely important issue that will demand considerably more attention before the problem can be considered solved. In my testimony today, I would like to describe the pressures that encourage rapid destruction of tropical forests and to call upon the MDBs to address these problems directly. Then I will describe two World Bank projects in Indonesia -- the transmigration program and the tree crop plantation program -- that are clearly environmentally counterproductive.

Threats to Forest Resources in Indonesia

A 1985 report of an international task force convened by the the World Bank, the United Nations Development Programme, and the World Resources Institute, entitled Tropical Forests: A Call for Action, concluded that combating tropical deforestation in Indonesia during the period 1987-91 will require a $193 million commitment from development assistance agencies and international

lending institutions. In my opinion, at least this much, if not much more, is necessary to counteract forces that threaten the Indonesian rainforests. I would briefly like to describe some of these pressures.

My country, Indonesia, is home to 10% of the global tropical rainforest resources and is second in total tropical forest area of all the countries in the world. Tropical forest covers 143 million hectares in Indonesia -- more than 70% of the territory of the country. In spite of the abundance of forest resources, the future is not bright. The rate of forest destruction in Indonesia is very high. The Department of Forestry reports that since 1950, we have lost 49 million hectares of forest -- more than 1 million hectares a year. According to the Government, more than 43 million hectares of degraded forest land should be rehabilitated. Twenty million hectares of this is alang-alang grassland, and 23 million is secondary forest succession.

The consequences of deforestation are evident in high rates of erosion and landslides. The already thin topsoil layer on Java is being lost at the rate of 6 millimeters per year. The Musi River in Sumatra carries over 14 million cubic meters in siltation per year. Increasingly severe forest fires also have devastating impacts. More than 30,000 hectares of forest are lost to fire each year. In 1983 alone, 3.6 million hectares were destroyed by a particularly large fire.

The Government of Indonesia is aware of these problems. In the last decade, a number of forest conservation programs have been initiated. The Government has taken some significant steps, including the following:

- establishment of a Ministry of Forestry;
- enactment of environmental legislation;
- the adoption of forest land use plans;
- establishment of 18 million hectares of conservation areas and 30 million hectares of protected areas;
- promulgation of a Presidential Instruction concerning a reforestation program;

- establishment of a timber estate program to reduce the damage to natural production forest;
- employment of forest guards; and
- promulgation of a long-term plan for Indonesian forest use.

The actions and regulations taken to date are steps in the right direction, but are inadequate to assure sufficient protection for tropical forest ecosystems. It is estimated that in less than 20 years, forest resources in Indonesia will no longer meet demand. For instance, former logging areas demand attention. The assumption in many of these areas was that, by selective cutting, the forest could restore itself naturally and adverse impacts would be mitigated. It is now known that this is not the case. Many former logging areas -- even those that were not clear-cut -- are in extremely bad condition and are no longer productive.

One alternative is to establish timber estates. The timber companies, however, are difficult to convince to do so because of the long-term nature of the required investment and the unavailability of adequate technology for cultivation of native species. The choice is often to establish timber estates with fast-growing species or not to establish them at all. As a result, estates have been established only for nonindigenous species such as pines, eucalyptus, and acacia, none of which are suitable for the Indonesian environment. We have already seen clear-cutting of the forest in Kalimantan, Sumatra, and Sulawesi for replacement with these species.

Indonesia has approximately 4,000 species of trees, at least some of which are surely suitable for commercial exploitation. Rather than clear-cutting forests and replacing them with monoculture timber estates, SKEPHI advocates increasing the productivity of natural production forests.

Another factor contributing to deforestation is endemic poverty. Most of the people living in or near the forest are poor and uneducated. Many of these people depend upon the

forests to earn their livelihoods. In the past, this type of forest exploitation followed a subsistence pattern, but now has become unsustainable. Using modern equipment, they now can exploit forest resources much more rapidly without regard for their long-term conservation. A related problem is that many local people have lost access to the forests, upon which they traditionally relied.

Social forestry programs are an alternative to this self-reinforcing vicious spiral of forest destruction. Social forestry programs involve the utilization of renewable forest resources such as rattan, seeds, resins, fruits, and firewood. These programs could give people an opportunity to be involved in sustainable forest management for their own benefit. Social forestry programs ultimately result in increased forest productivity. The Ford Foundation has already undertaken research on social forestry, and I hope that other organizations will do the same.

Plainly there is a great need for increased investment by the MDBs and development assistance agencies in environmentally beneficial forest programs in Indonesian tropical rain forests. However, the same institutions that could provide solutions to forestry management difficulties in Indonesia have too often been part of the problem. I would now like to describe two World Bank-financed programs that have had disastrous effects on tropical forest ecosystems.

The Transmigration Program

Transmigration is a large-scale resettlement scheme designed to move people from Indonesia's densely populated inner islands -- mainly Java -- to forested outer islands such as Kalimantan, Sumatra, Sulawesi, and Irianjaya. The World Bank to date has invested nearly $600 million through five loans in this program.

Transmigration is not a new phenomenon in Indonesia, but began under colonial Dutch rule. The Government started an organized transmigration program, which I will describe, as a

result of the supposed success of prior spontaneous transmigration.

The transmigration project is the most serious threat that exists for our forests and soils. For 1984-89, the Government has set a target in the REPELITA IV Plan to move 750,000 families. Every hectare of usable land created by the transmigration program adversely affects an additional 4 hectares of forest. This means that the target of 560,000 hectares in the REPELITA IV Plan will damage 2.8 million hectares of forest. The impact of transmigration is even greater than that of logging operations, because transmigration involves mechanical clear-cutting, whereas loggers typically cut selectively.

There is considerable room for doubt whether the program will be successful even by the Government's own standards. In theory, transmigrants should be totally self-sufficient, without any outside means to sustain them. This is important because settlements are usually isolated and cannot be reached by the food distribution system. It has now become apparent, however, that this goal is difficult or impossible to achieve in practice. The soils in many of the transmigration areas cannot support annual food cropping. Success may last two or three years, but after that the soil becomes barren. Even if the program were to be "successful," it would inevitably attract additional spontaneous settlement, which implies additional forest destruction.

Many transmigrants leave the settlements and return to Java as street people or servants. Others who remain turn to destructive means of earning a livelihood from forest resources, such as illegal logging and slash-and-burn farming. Even if these people remain, their activities ultimately undermine the stated purposes of the program and cannot be considered a measure of its success.

As a result of severe criticism from the press, NGOs, and numerous experts, the Government has made some positive changes in the program. For example, three steps, including on

environmental impact assessment, must now be completed before a site is selected. Due to the recent loss of income from oil, the Government has announced that in 1986-87, the number of families relocated will be reduced. The methodology for site selection supposedly will be improved through a new World Bank loan. However, the project continues to assume that all new locations will be in forest areas, and every one of those locations will necessarily entail adverse environmental impacts.

The ultimate effects of the transmigration program will not be fully apparent for several more decades. Experience in Lampung Province on the island of Sumatra, where spontaneous transmigration started 20-25 years ago, illustrates its long-term devastating consequences. It is now predicted that this province will become a new Java, as millions of hectares have been deforested and the land is becomeing increasingly incapable of suppporting a growing population.

The Lampung experience has also shown that even successful transmigration is destructive to indigenous wildlife, many of which are threatened or endangered. For example, thousands of endangered elephants in Lampung were driven out of conservation areas established specifically for their protection. Transmigration pressures in Sumatra have also prompted the shooting of endangered tigers that were supposedly threatening human settlements.

Attempts to halt transmigration are unlikely to succeed. Instead, alternatives must be sought. Social forestry and appropriate rural development activities can alleviate the adverse impacts. However, much more care must be taken if transmigration is to succeed.

The Tree Crop Planataion Program

In addition to its expenditures on the transmigration program, the World Bank since 1970 has invested more than $650 million in a tree crop plantation program, known as the "nucleus estate" or smallholder program. Plantations may consist of

rubber, palm oil, cocoa, hybrid coconut, or other tree crops. Some of these plantations have been established as part of the transmigration program. In the typical case, a farm family receives 1-2 hectares of a plantation, which it operates under the supervision of the management authority. These plantations have been successful in North Sumatra and Java. Our concern is that new World Bank-funded plantations are being sited in tropical forest lands cleared specifically for this purpose.

I was born and raised in the plantation area of northern Sumatra. From my own experience, I can state with certainty that, once a forest area is opened for plantations, the surrounding forest will slowly but surely disappear. The plantation and the transportation system necessary to sustain it are like a cancer in the forest. I am aware that Indonesia needs plantations to secure foreign exchange from exports other than oil. However, there is no need to locate these plantations in tropical forests areas, many of them pristine.

Like the transmigration program, the plantation program has created conflicts with conservation needs. The habitat of the Sumatran rhino has been so threatened by the plantations that a zoo in the United Kingdom has collected specimens in a desperate attempt to preserve the species from extinction.

As I have already stated, Indonesia has tens of millions of hectares of secondary forest and alang-alang grassland. Much of this land is suitable for these plantations and also are good potential transmigrations sites. Indeed, one company in South Sulawesi has successfully reclaimed alang-alang grassland for a palm oil plantation. The World Bank should <u>not</u> be financing the senseless destruction of tropical rainforests when such obvious alternatives are available. At the same time, the World Bank <u>should</u> be financing projects to reclaim damaged areas, such as alang-alang grasslands. Such beneficial projects could help rehabilitate many poor soils. Meanwhile, plantations in these areas would generate foreign exchange and would alleviate pressures on tropical forest ecosystems. I hope that the World

Bank will seriously consider productive projects of this type in the future.

Conclusion

Mr. Chairman, my country, Indonesia is one of the largest borrowers from the MDBs. Indonesia now has more than $3.1 billion in debt outstanding to the World Bank alone. This amount of money has enormous potential to improve the quality of life in my country, and I am grateful that Indonesia has been the beneficiary of such extensive development assistance efforts.

However, development which is not environmentally sound will not last. MDB projects that deplete the natural resource base of developing countries will ultimately do more harm than good. Plainly such projects carry with them adverse financial implications, because borrowing countries which are the victims of such flawed development schemes ultimately will not be able to pay back their debts.

Mr. Chairman, I have described two programs that seriously threaten one of the most valuable resources of Indonesia, its tropical rainforests. Those forests are a resource that have potential benefits not only for Indonesia, but for all of mankind. Only through concerted action can donor and borrowing countries alike take action to halt the harmful impacts of MDB projects on tropical forests. That is why your efforts, Mr. Chairman, and those of this Subcommittee are extremely important in making these institutions take the environmental consequences of their activities more seriously. I am very pleased that you and the people of the United States have the foresight to address this very serious problem before it is too late. I encourage you not only to continue to subject MDB projects to the strictest scrutiny, but also to encourage activities by these institutions that will help the people of the developing world toward a future of truly lasting, sustainable development.

Mr. Chairman, this concludes my prepared statement. Thank you very much.

INSTITUTE OF SOCIOECONOMIC STUDIES

STATEMENT OF MARIE ALLEGRETTI, INSTITUTE OF SOCIOECONOMIC STUDIES

INVESTMENTS IN AMAZONIA

Senator KASTEN. Our next witness on this panel is Marie Allegretti of the Institute of Socioeconomic Studies, Brazil. Ms. Allegretti.

Ms. ALLEGRETTI [through interpreter]. Mr. Chairman, thank you for the opportunity to appear before this subcommittee. My statement is focused specifically on the ecological and social consequences of multilateral development bank investments in Amazonia, since I have worked as an anthropologist since 1978 on applied research and social and economic projects with rubber tappers in the western Amazon. I am presently the environmental coordinator of the institute for socio-economic research [INESC] a nongovernmental organization in Brasilia concerned with human rights issues in Brazil.

We are particularly pleased to be here because international environmental initiatives, as well as section 540 of the Joint House Continuing Resolution 465—an attempt to orient multilateral bank development policy—have a counterpart in Brazil.

The concerns of sectors of Brazilian society interested in greater participation in the planning of development in regions inhabited by indigenous populations, collectors of wild products, and riverine populations of Amazonia, which have mobilized in self-defense and defense of the environment, are now shared by members of the Brazilian Congress.

What links these groups is the common understanding that economic development safeguarding the quality of life and, above all, already-inhabited areas of Amazonia, is possible. Once you understand that the Amazon is not empty, you can see that environmental protection cannot be limited to preservationism.

STUDY OF INTERACTION BETWEEN HUMANS AND ENVIRONMENT

The issue is not preserving the tropical forest, the upper watersheds and other ecological fragile areas, but most important to guarantee the interaction of the diverse human populations of the Amazon with the environment they all inhabit.

Although the effects of large scale development projects on these communities has been much discussed, the measures demanded by the banks continue to be inadequate. The gap between proposed measures to protect the indigenous populations, the environment and other uses of the land or forms of occupying it, and the reality of implementing these projects is most disturbing.

POLONORESTE AND CARAJAS PROJECTS

Some examples: In the area of influence of Polonoreste Project, subject to the clauses of the contract signed between the Brazilian Government and the World Bank, there are 165 authorizations for min-

ing exploration and research within indigenous areas, granted to large firms. In the Carajas Project area there are 16.

The Poloroneste Project is striking example of how little has been attained by way of protection of indigenous communities and the environment in these projects. Informed sources state that a significant part of the funds provided to the government agency responsible for indigenist policy continue to be spent for equipment and administration rather than on concrete action such as demarcation of land and health protection.

For more than 2 years, anthropologists who know the region have emphasized the dangers faced by uncontacted indigenous groups and the need to form special teams to locate them and interdict their lands, without results.

FAILURE OF COLONIZATION PROGRAMS

Environmental protection is no better. Colonists have invaded the majority of the "block reserves" of the new settlement projects, such as Cujubim and Machadinho, although the land is not suitable for agriculture. The same occurs in the Forestry Institute's protected areas.

The turnover of the settlers in the new projects is shocking—in the Cujubim Project, perhaps as many as 80 percent of those who received titles have left in 4 years. At the same time, the National Institute for Colonization and Agrarian Reform plans to create a new project, at Gleba Massaco, between the Guapore biological reserve and the Rio Mequens indigenous area, in an area where the soils are recognized by officials of the agency as inappropriate for agriculture.

CONSEMA, the state environmental aqency created to deal with such problems, has met once in the 6 months of its existence and is in the absurd situation of having its headquarters in the Secretariat of Industry and Commerce.

In the case of the Carajas Project, many of the same problems are chronic. The anthropologists selected to advise and to guarantee independent control of the resources of the indigenous component of the project and ensure compliance with the agreement between the state company responsible for the project and the national Indian Foundation, have no effective power to intervene, so much so that they advise canceling the agreement, after 4 years of failed attempts to ensure that the funds destined for indigenous communities actually reach those communities.

It should be noted that use of World Bank funds in indigenous lands did not follow the recommendations elaborated by advisors and the indigenous communities. The demarcations of land carried out have not been in accordance with the Indians' interests. There is evidence of tolerance, or even connivance of government agencies, with violation of indigenous territory, as well as the opening of indigenous lands to logging and mining.

The gap between human and financial resources for protective measures and for infrastructure projects is disproportionate. This situation is even more serious given the recent news that the World Bank

plans to arrange some $1.2 billion, including cofinancing, for investment replenishment in the energy sector. These funds would go toward completing works in progress, such as the Tucurui, Samuel, and Balbina hydroelectrics, notorious for the environmental devastation and social costs caused by their construction.

Clearly, these projects meet needs identified by the Brazilian Government, and we do not question their validity as such. But it is evident that the gap between suggested protective measures and concrete action to implement them goes beyond lack of coordination among government agencies.

EFFECT OF PROGRAMS ON POPULATIONS

Our criticism is of planners' conceptualization of the position of indigenous populations and regional communities in these projects. The concept of development shared by the bank and the Government of Brazil considers these populations as residual or marginal, and so focuses suggested measures on the effects, which are damaging, of development. Using the justification of the inevitability of progress, or economic growth, the necessity of paying the foreign debt, or agricultural production for export, one attempts to minimize the negative impacts on populations that are conceived as unproductive and as not participating in the process.

This concept of development needs to be rethought, if the goal is a balance between a policy of economic growth, environmental protection, and guarantees of the survival of indigenous and regional populations. This is compatible with the recently elaborated development plan of the "New Republic," which affirms the need to integrate development and environmental protection in the Amazon.

The intentions of the official projects, and the intent of the legislation directed at the U.S. executive directors of the banks will only be fulfilled when the social groups directly affected participate in taking decisions on the implementation of development, and not insofar as they are considered merely objects of protection.

ADAPTATION TO FORESTS BY LOCAL POPULATIONS

This goal is not unrealistic. In large areas of Amazonia, particularly in regions where large projects along the lines of Polonoroeste are planned, as in Acre and Amazonas, local populations have developed adaptations to the forest, taking not only their subsistence from it but also marketable products. These have been the bases of regional economies, as in the case of native rubber and Brazil nuts, as well as other forest products.

These populations, in fact, already practice economically productive, environmentally appropriate, activities. If development planners consider local populations, indigenous or other, as active agents of development, projects would not have to be designed to minimize effects of a development conceived as destructive beforehand.

SOCIAL COSTS OF DEVELOPMENT PROJECTS

The social costs of any development project must be included. Today, instead of improving the use of the forest, increasing its productivity, and the standard of living of people who live there, we see concentration of landholdings, on the one hand, and the reduction of local populations to impoverished city dwellers on the other.

Environmental and socially protective measures included in development projects will not be effective unless other measures are taken first. These are:

(1) Economic/ecologic zoning of Amazonia, permitting the identification of economic alternatives appropriate to each area, taking into consideration forms of occupation that already exist; (2) temporary reduction of investment so as to permit this zoning; (3) policies aimed at improving the standard of living of the populations in place; and (4) recognition that indigenous and local populations in Amazonia have demonstrated knowledge of appropriate uses of the forest, and should benefit from the development process.

Recent initiatives from these peoples show that they must be included in development planning to meet the wider goal of progress. Rubber tappers propose the creation of extractive reserves, aiming to guarantee the areas they live in and increase productivity.

PROPOSED ZONING OF AMAZONIA

The Forestry Association of Amazonia, in a recent meeting, suggested the immediate ecological zoning of Amazonia. One hundred Brazilian congressional representatives have undertaken a campaign for complete demarcation of indigenous lands, defining as the first priority the demarcation of the Yanomami Park, an extensive area of forest inhabited by the largest ethnic group in a state of cultural autonomy in Amazonia.

Such active participation within Brazil is creating the opportunity for forums of decisions where fundamental changes in multilaterally financed development plans can be discussed with environmental organizations. In the end, it will not be the World Bank's requirements that protect the Brazilian environment and solve the problems of indigenous peoples and regional populations of Amazonia. It will be from Brazilian society that such criteria can become part of the development plans of the Brazilian Government.

Senator KASTEN. Thank you very much for your testimony.

[The prepared statement of Ms. Allegretti follows:]

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PREPARED STATEMENT OF MARY ALLEGRETTI

ON BEHALF OF

THE INSTITUTE FOR SOCIO-ECONOMIC STUDIES

statement prepared in collaboration with Ailton Krenak, Union of Indigenous Nations; Claudia Andujar, Committee for the Creation of the Yanomami Park; Iara Ferraz, Indigenist Projects Center, and Abel Barros Lima, FIPE Polonoroeste Project Evaluation Team

Mr. Chairman, thank you for the opportunity to appear before this subcommittee. My statement is focused specifically on the ecological and social consequences of Multilateral Bank investments in Amazonia, since I have worked as an anthropologist since 1978 on applied resesearch and social and economic projects with rubber tappers in the Western Amazon. I am presently Environmental Coordinator of the Institute for Socio-Economic Research - INESC - a nongovernmental organization in Brasilia concerned with human rights issues in Brazil.

We are particularlly pleased to be here because international environmental initiatives, as well as section 540 of the Joint House Continuing Resolution 465 - an attempt to orient multilateral bank development policy - have a counterpart in Brazil. The concerns of sectors of Brazilian society interested in greater participation in the planning of development in regions inhabited by indigenous populations, collectors of wild products, and riverine populations of Amazonia, which have mobilized in self defense and and defense of the environment, are now shared by members of the Brazilian Congress.

What links these groups is the common understanding that economic development safeguarding the quality of life and, above all, already-inhabited areas of Amazonia, is possible. Once you understand that the Amazon is not empty, you can see that environmental protection cannot be limited to preservationism.

The issue is not preserving the tropical forest, the upper watersheds and other ecologically fragile areas, but most important to guarantee the interaction of the diverse human populations of the Amazon with the environment they all inhabit.

Although the effects of large scale development projects on these communities has been much discussed, the measures demanded by the Banks continue to be inadequate. The gap between proposed measures to protect the indigenous populations, the environment and other uses of the land or forms of occupying it, and the reality of implementing these projects is most disturbing.

Some examples: In the area of influence of Polonoreste project, subject to the clauses of the contract signed between the Brazilian government and the World Bank, there are 165 authorizations for mining exploration and research within indigenous areas, granted to large firms. In the Carajas Project area there are 16.

The Polonoreste project is striking example of how little has been attained by way of protection of indigenous communities and the environment in these projects. Informed sources state that a significant part of the funds provided to the governemnt agency responsible for indigenist policy continue to be spent for equipment and administration rather than on concrete action such as demarcation of land and health protection. For more than two years, anthropologists who know the region have emphasized the dangers faced by uncontacted indigenous groups and the need to form special teams to locate them and interdict their lands, - without results.

The inexplicable lack of legal defense of indians involved in court cases, as is the case of the Uru-eu-wau-wau, Rikbaktsa, Zoro, Nambiquara, and Pareci, among others, also continues. Millions of dollars worth of wood are stolen from the indians and the Nation of Brazil, while the forestry police have yet to act.

There are 30 indigneous areas that await either identification or demarcation, while the responsible government agency is in a state of disorganization.

Environmental protection is no better. Colonists have invaded the majority of the "block reserves" of the new settlement projects, such as Cujubim and Machadinho, although the land is not suitable for agriculture. The same occurs in the Forestry Insitute's protected areas. The turnover of the settlers in the new projects is shocking - in the Cujubim project, perhaps as many as 80% of those who received titles have left in 4 years. At the same time, the National Institute for Colonization and Agrarian Reform plans to create a new project, at Gleba Massaco, between the Guapore biological reserve and the Rio Mequens indigenous area, in an area where the soils are recognized by officials of the agency as inappropriate for agriculture. CONSEMA, the state environmental agency created to deal with such problems, has met once in the six months of its existence, and is in the absurd situation of having its headquarters in the Secretariat of Industry and Commerce.

In the case of the Carajas Project, many of the same problems are chronic. The anthropologists selected to advise and to guarantee independent control of the resources of the indigenous component of the project and ensure compliance with the agreement between the state company responsible for the project and the national Indian Foundation, have no effective power to intervene. So much so that they advise cancelling the agreement, after four years of failed attempts to ensure that the funds destined for indigneous communites actually reach those communities.

It should be noted that use of World Bank funds in indigenous lands did not follow the reccomendations elaborated by advisors and the indigneous communities. The demarcations of land carried out have not been in accordance with the Indians' interests.

There is evidence of tolerance, or even connivance of government agencies, with violation of indigenous territory, as well as the opening of indigenous lands to logging and mining.

The advisors agree that in spite of the sizeable budgets provided to the government indian agency by multilaterally financed "special projects" its performance has changed very little. The resources of the "special projects" have been used to maintain the usual functions of the agency, expressly contradicting the purpose of special budgets.

The gap between human and financial resources for protective measures and for infrastructure projects is disproportionate. This situation is even more serious given the recent news that the World Bank plans to arrange some $1.2 billion (including cofinancing) for investment replenishment in the energy sector. These funds would go towards completing works in progress, such as the Tucurui, Samuel, and Balbina hydroelectrics - notorious for the environmental devastation and social costs caused by their construction.

Clearly, these projects meet needs identified by the Brazilian government, and we do not question their validity as such. But is evident that the gap between suggested protective measures and concrete action to implement them goes beyond lack of coordination among governemnt agencies.

Our criticism is of planners' conceptualization of the position of indigenous populations and regional communities in these projects. The concept of development shared by the Bank and the governemnt of Brazil considers these populations as residual or marginal, and so focuses suggested measures on the effects - which are damaging - of development. Using the justification of the inevitability of progress, or economic growth, the necessity of paying the foreign debt, or agricultural production for

export, one attempts to minimize the negative impacts on populations that are concieved as unproductive and as not participating in the process.

This concept of development needs to be rethought, if the goal is a balance between a policy of economic growth, environmental portection, and guarantees of the survival of indigenous and regional populations. This is compatible with the recently elaborated development plan of the "New Republic", which affirms the need to integrate development and environmental protection in the Amazon.

The intentions of the offical projects, and the intent of the legislation directed at the US Executive Directors of the banks, will only be fulfilled when the social groups directly affected participate in taking decisions on the implementation of development, and not insofar as they are considered merely objects of protection.

This goal is not unrealistic. In large areas of Amazonia, particularly in regions where large projects along the lines of Polonoroeste are planned, as in Acre and Amazonas, local populations have developed adaptations to the forest, taking not only their subsistence from it but also marketable products. These have been the bases of regioanl economies, as in the case of native rubber and Brazil nuts,as well as other forest products. These populations in fact already practice economically productive, environmentally appropriate, activities. If development planners consider local populations, indigenous or other, as active agents of development, projects would not have to be designed to minimize effects of a development conceived as destructive beforehand.

The social costs of any development project must be included. Today, instead of improving the use of the forest, increasing its productivity, and the standard of living of people who live

there, we see concentration of landholdings, on one hand, and the reduction of local populations to impoverished city dwellers on the other.

Environmental and socially protective measures included in development projects will not be effective unless other measures are taken first. These are:

1. Economic/ecologic zoning of Amazonia, permitting the identification of of economic alternatives appropriate to each area, taking into consideration forms of occupation that already exist.

2. Temporary reduction of investments so as to permit this zoning;

3. Policies aimed at improving the standard of living of the populations in place;

4. Recognition that indigenous and local populations in Amazonia have demonstrated knowledge of appropriate uses of the forest, and should benefit from the development process.

Recent initiatives from these peoples show that they must be included in development planning to meet the wider goal of progress.. Rubber tappers propose the creation of "extractive reserves," aiming to guarantee the areas they live in and increase productivity. The Forestry Association of Amazonia, in a recent meeting, suggested the immediate ecological zoning of Amazonia. One hundred Brazilian congressional epresentatives have undertaken a campaign for complete demarcation of indigenous lands, defining as the first priority the demarcation of the Yanomami Park, an extensive area of forest inhabited by the largest ethnic group in a state of cultural autonomy in Amazonia.

Such active participation within Brazil is creating the opportunity for forums of decision where fundamental changes in

multilaterally financed development plans can be discussed with environemtnal organizations. In the end, it will not be the World Bank's requirements that protect the Brazilian environment and solve the problems of indigenous peoples and regional populations of Amazonia. It will be from Brazilian society that such criteria can become part of the development plans of the Brazilian government.

FULLBRIGHT FELLOW, HARVARD UNIVERSITY

STATEMENT OF KILAPARTI RAMAKRISHA, FULLBRIGHT FELLOW HARVARD UNIVERSITY

STATE OF INDIA'S ENVIRONMENT

Senator KASTEN. Our next witness is Dr. Kilaparti Ramakrisha, a Fullbright Fellow of Harvard University.

Mr. RAMAKRISHA. Thank you very much, Mr. Chairman.

At the outset, I should thank you for inviting me to testify before the committee of which I have read and heard a great deal. As a student, I have had occasion to refer to the Senate proceedings of several of the committees and found them extremely useful in what I was in particular looking for. I am particularly happy to be part of the process at this point in time.

I am currently at the Harvard Law School as a Fullbright visiting scholar, and I am also at the Woodson Oceanographic Institution as a marine policy fellow, but in India, I work at the Indian Society for International Law as an assistant professor.

My association and what I am going to say this afternoon is not by virtue of my association with any of these three bodies, but by virtue of my close association with some of the nongovernmental organizations in India. I particularly refer to the Center for Science and Environment, which is located in Delhi.

Actually, some of the observations that I will be making will be taken from a report that the Center for Science and Environment prepared, entitled, "The State of India's Environment."

The subject matter of today's hearing is something that I have worked on in the past. Before I say that, I must also say that my doctoral study was on the developing countries and their perceptions of international environmental law, their perception of the world environmental movement, and their role.

At this point in time, I think that it is particularly useful to refer to the hesitation that the Assistant Secretary of State referred to, at the beginning, about: To what extent their involvement in environmental protection would hamper their goal of reaching quicker development?

STOCKHOLM CONFERENCE

Particularly useful, in the context of multilateral development banks, is the introduction of the concept of additionality at the Stockholm Conference, which was introduced at the request of the developing countries, as well as to influence some of the other developing countries that are still reluctant.

This concept essentially meant that the additional expenditures that would be needed to protect the environment would be made part of the project loan that the MDB's would be making. More than that, the additional element that project expenditures would mean, would not in any way stop these MDB's from making the advance.

Now, if you look at some of the contemporary steps that are being taken by the MDB's, and also the arguments given both for pushing the environmental protection measures, as well as the reasons from the developing countries' point of view, would be clear.

I personally feel that this concept, apart from its being introduced at the time of the Stockholm Conference, did not result in any kind of further elaboration, either by the developing countries or by the MDB's. The purpose was to bring them to the conference table, and once they were satisfied with that, they really didn't go any further than that.

I tend to think that, apart from some very nationalistic sentiments expressed in some academic gatherings, any imposition of values by either MDB's or the people in the developing world, something of an environmental idealism in the developing world—apart from those things, I do not seriously believe that the policymakers or the governmental decisionmakers in any way object to the MDB's clearly stating that such and such environmental protection safeguards should be taken.

I feel that if they had done it, they would probably receive very little opposition from these governments, and that is a point worth noting. More than that, in most cases, the MDB officials tend to think that the only people they should interact with in any known process are the governmental missionaries.

INTERACTION WITH NGO'S

Several speakers before me have referred to their reluctance to talk with the NGO's, or to give materials to the NGO's. I particularly refer here to what Senator D'Amato has mentioned at the beginning about the arrogant attitude of the MDB's. If anyone should come in and tell them: Look, you have omitted taking into consideration some of these factors that are very essential! They tend to think that they know best about it, and you don't really need to tell them. They have the expertise available, and all of those things.

That is one aspect that this committee should probably look into in some detail.

IRRIGATION PROJECT IN INDIA

I would particularly refer to one project that is currently being funded by the World Bank in India, which the presenter from the Survival International referred to earlier. The project, in terms of its

potential as stated in the World Bank proposal, in terms of projected benefits, they are enormous.

They talk about several million hectares of land being irrigated, and water supplies to industry and households, several thousand megawatts of electricity, and the near total economic transformation.

These things sound very appealing, and no government would like to say, no, don't go ahead with this project. To do something more than what the World Bank says is not necessary. It has gone through the usual motions of conducting an environmental impact assessment, and it is not really needed. The government would not really like to come along and say that.

Interestingly, if you look at the project report of the World Bank on this project, they say clearly that this project of the dimensions that they are visualizing is something of a very large nature, and the very complex nature of it might land it in several kinds of difficulties. But the bottom line of that particular report is that, despite all of this, the risks are worth taking.

I would like to refer you to a statement that our Indian Minister of Irrigation has made in the Parliament, in particular with reference to this particular project of dams in India. The statement was made in 1983, and he says: "After 205 major and 916 medium irrigated projects taken up since the beginning of the 5-year plan in 1961, as many as 176 major and 447 medium projects have not yet been completed."

This is a process that Haldaby had set in motion, with certain destabilizing factors, both in terms of populations being ousted and in terms of the existing policy, and various other factors, but if that is the general state of affairs in the field of construction of dams, we probably should look more carefully at the particular projects and their implications for environmental protection.

SARDAR SAROVAR

The report that I mentioned to you earlier talks about some of the factors that need to be taken into consideration. One is the Sardar Sarovar, in fact, is the perfect example of the price that one has to pay for prosperity.

It talks about its waters will spread out over 912 square kilometers and will submerge over 40,000 hectares of agricultural land, some 1.2 local people, and 326 villages will be destroyed. Compensation is worked out at the current levels, and it will amount to 200 current Indian rupees, as well as 32 kilometers of railroad tracks whose relocation will cost over 65 current rupees.

This report goes on with this kind of detail, and then finally, it tells about what is best to be done under the circumstances.

The World Bank has sort of closed its files on this matter, and it is going ahead with it, but nothing has been started in terms of the actual construction of the dam project, so I think that it is something that one should look at very carefully.

Senator KASTEN. Let me ask you to summarize your comments, please.

Mr. RAMAKRISHA. Yes; I have just a few more words.

I am particularly concerned with what Senator D'Amato has said this morning about, if the MDB's don't listen to us, let's cut off their funds. That probably might be going a little too far in terms of the potential that these MDB's have to help in the development of developing countries. I earnestly request that you keep this factor in mind in whatever recommendations that would be made.

To sum up, I would only say that the solution to most of these things is involving the nongovernmental organizations in the decisionmaking, and if that is not possible, at least providing them with whatever information they are seeking. Let them mobilize support within their own national governments, mobilize their rules into taking decisions that are environmentally sound.

Thank you very much.

Senator KASTEN. Thank you very much, Dr. Ramakrisha.

[The prepared statement of Dr. Ramakrisha follows:]

PREPARED STATEMENT OF DR. KILIPARTI RAMAKRISHNA

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I AM VERY PLEASED TO HAVE BEEN ASKED TO ADDRESS THIS SUBCOMMITTEE AND TO PARTICIPATE IN YOUR REVIEW OF THE ENVIRONMENTAL CONSEQUENCES OF MULTILATERAL DEVELOPMENT BANK PROJECTS. IT IS A REVIEW THAT I ALONG WITH SEVERAL OF MY COLLEAGUES IN INDIA HAVE WATCHED CLOSELY AND WITH GREAT INTEREST. IT IS ALSO A REVIEW THAT I PERSONALLY FEEL WOULD GIVE AN ENORMOUS IMPETUS TO THE ACTIVITIES OF THE NON-GOVERNMENTAL ORGANISATIONS IN THEIR ATTEMPT TO SEE THAT THE ENVIRONMENTAL IMPACT OF THE MDB OPERATIONS ARE AS HARMLESS AS POSSIBLE.

MY NAME IS DR. KILAPARTI RAMAKRISHNA, A CITIZEN OF THE REPUBLIC OF INDIA, AND AN ASSISTANT PROFESSOR AT THE INDIAN SOCIETY OF INTERNATIONAL LAW, NEW DELHI. I HAVE BEEN ACTIVE IN THE ACTIVITIES OF NON-GOVERNMENTAL ORGANISATIONS PARTICULARLY WITH THOSE OF THE CENTER FOR SCIENCE AND ENVIRONMENT SITUATED IN NEW DELHI. I CAME TO THE UNITED STATES AS A FULBRIGHT VISITING SCHOLAR AND WAS AFFILIATED WITH THE HARVARD LAW SCHOOL. SINCE THE COMPLETION OF THIS FELLOWSHIP, I AM WORKING AT THE WOODS HOLE OCEANOGRAPHIC INSTITUTION AS A MARINE POLICY FELLOW. I WAS FORTUNATE IN BEING ABLE TO COMBINE MY ACADEMIC INTERESTS WITH THE CONCERNS OF NGOS IN DEVELOPING COUNTRIES. IT IS FROM THIS PERSPECTIVE THAT I SHALL BE SPEAKING BEFORE THIS SUBCOMMITTEE TODAY.

GIVEN THE GENERAL DIRECTION OF TODAYS PROCEEDINGS, I WOULD SPECIFICALLY LIKE TO TALK ABOUT THE SARDAR SAROVAR DAM AND POWER PROJECT IN THE INDIAN STATE OF GUJARAT, AS IT RELATES TO THE INVOLVEMENT OF THE LOAN AND CREDIT TO INDIA BY INTERNATIONAL DEVELOPMENT ASSOCIATION, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. FROM THE TIME THIS PROJECT WAS CONCEIVED, THERE HAVE BEEN SEVERAL POPULAR MOVEMENTS AND INNUMERABLE ARTICLES ON THE SAME. SINCE THE ISSUES CONTESTED AND THE ARGUMENTS BOTH FOR AND AGAINST ARE COMMON KNOWLEDGE, I PREFER NOT TO COVER THE SAME GROUND AGAIN. HOWEVER, I REQUEST THE

SUBCOMMITTEE TO INCLUDE DOCUMENTS 1 AND 2 ENCLOSED WITH THIS STATEMENT IN ITS PROCEEDINGS. DOCUMENT 1 IS CAPTIONED "THE NARMADA VALLEY PROJECT - DEVELOPMENT OR DESTRUCTION?" THIS DOCUMENT WAS PREPARED BY KALPAVRIKSH - THE ENVIRONMENTAL ACTION GROUP AND THE HINDU COLLEGE NATURE CLUB, DELHI UNIVERSITY. THIS HAS SINCE THEN BEEN PUBLISHED IN THE ECOLOGIST, VOLUME 15, NO. 5/6, 1985. DOCUMENT 2 IS A SECTION ON THE GENERAL SUBJECT OF DAMS IN INDIA AND IS EXCERPTED FROM THE 1985 REPORT OF THE CENTER FOR SCIENCE AND ENVIRONMENT, ENTITLED THE STATE OF INDIA'S ENVIRONMENT 1984-85: THE SECOND CITIZEN'S REPORT. BETWEEN THESE TWO DOCUMENTS, THE STUDY OF DAMS IN INDIA IS COVERED IN GENERAL AND WITH SPECIAL REFERENCE TO THE NARMADA DAM. HOWEVER, I WOULD LIKE TO DRAW YOUR ATTENTION TO THE STATEMENT IN THE IBRD DOCUMENT RELEASED FOR RESTRICTED DISTRIBUTION ON THE NARMADA RIVER DEVELOPMENT. THE PROJECT DESCRIPTION, AFTER EXPLAINING THE CONTOURS OF THE SCHEME, CLEARLY STATES THAT "(A)S ONE OF THE LARGEST DEVELOPMENTS EVER CONCEIVED OF AND DESIGNED AS AN INTEGRATED SET OF INVESTMENTS, IT WILL POSE MAJOR CHALLENGES TO GOI (GOVERNMENT OF INDIA) AND THE PARTICIPATING STATES IN ENSURING ITS EXECUTION AND OPERATION TO VERY HIGH TECHNICAL STANDARDS". WITHOUT REALLY EXPLAINING HOW THESE MAJOR CHALLENGES ARE TO BE RESOLVED, THE PROJECT DESCRIPTION ENDS WITH THE STATEMENT THAT"(O)VERALL, THE RISKS ARE ACCEPTABLE". INDIA HAS A VERY UNSATISFACTORY RECORD OF DAM BUILDING ACTIVITY. DOCUMENT 2 WHICH HAS BEEN ENCLOSED CONTAINS THE FOLLOWING STATEMENT:

IN 1983, IRRIGATION MINISTER R.N. MIRDHA TOLD PARLIAMENT THAT OF THE 205 MAJOR AND 916 MEDIUM IRRIGATED PROJECTS TAKEN UP SINCE THE BEGINNING OF THE FIVE YEAR PLANS IN 1951, AS MANY AS 176 MAJOR AND 447 MEDIUM PROJECTS HAVE NOT BEEN COMPLETED. AS MANY AS 13 MAJOR PROJECTS OUT OF 25 TAKEN UP DURING THE FIRST PLAN (1951-56) ARE YET TO BE COMPLETED. 32 MAJOR PROJECTS HAVE SHOWN COST OVERRUNS OF 500 PERCENT OR MORE. SINCE 1951, NO IRRIGATION OR HYDROELECTRIC PROJECT HAS BEEN COMPLETED ON TIME AND WITHIN THE COST ESTIMATES.

WITH THIS KIND OF BACKGROUND ONE WOULD HAVE EXPECTED THE NDB OFFICIALS TO EXERCISE NOT ONLY THE GREATEST AMOUNT

OF CAUTION BUT ALSO TO HAVE ENGAGED IN AS WIDE RANGING CONSULTATIONS AS POSSIBLE WITH ALL THE CONCERNED INDIVIDUALS AND GROUPS. IN PRACTICE, HOWEVER, THIS HAS NOT BEEN DONE. I MAY BRIEFLY REFER TO WHAT SENATOR D'AMATO HAS TOUCHED UPON REGARDING THE ARROGANT ATTITUDE OF THE MDB OFFICIALS IN BELIEVING THAT THEY KNOW WHAT IS BEST AND THEY DON'T NEED TO TAKE INTO CONSIDERATION THE CONCERNS OF THE SMALL NGOs IN DEVELOPING COUNTRIES. I MAY ADD HERE THAT EVEN THE BUREAUCRACIES OF THE DEVELOPING COUNTRIES OFTEN BEHAVE IN A SIMILAR FASHION. THIS DOES NOT OR SHOULD NOT IN ANY WAY REDUCE THE ONUS ON MDB OFFICIALS.

I WOULD NOW LIKE TO REFER TO THE STATEMENT OF MR. NEGROPONTE, ASSISTANT SECRETARY OF STATE FOR OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS, MADE BEFORE THIS SUBCOMMITTEE A SHORT WHILE AGO. ON PAGE 7 HE POINTED OUT THAT "(T)HERE ARE MANY OBSTACLES, NOT THE LEAST OF WHICH ARE THE INDEPENDENCE AND CLOSELY-GUARDED SOVEREIGNTY OF THE DEVELOPING COUNTRIES AND THEIR NOT UNCOMMON VIEW THAT ENVIRONMENTAL CONSIDERATIONS ARE LUXURIES WHICH OFTEN CANNOT BE 'AFFORDED'". I FEEL THAT THIS WAS TRUE IN THE EARLY SEVENTIES, ESPECIALLY PRIOR TO THE UNITED NATIONS CONFERENCE ON HUMAN ENVIRONMENT IN 1972. TO SUBSTANTIATE THIS POINT I AM ENCLOSING DOCUMENTS 3 AND 4 DEALING WITH "THE EMERGENCE OF ENVIRONMENTAL LAW IN DEVELOPING COUNTRIES: A CASE STUDY OF INDIA" PUBLISHED IN THE ECOLOGY LAW QUARTERLY, VOLUME 12, NO. 4, AND "INTEREST ARTICULATION BY THE DEVELOPING COUNTRIES IN THE INTERNATIONAL ENVIRONMENTAL MOVEMENT" PUBLISHED IN THE INTERNATIONAL REVIEW OF CONTEMPORARY LAW, ISSUE 2, 1984. I TAKE PLEASURE IN SAYING THAT THESE ARTICLES WERE AUTHORED BY ME. MR. NEGROPONTE'S STATEMENT HOWEVER, IS VALID FOR COUNTRIES WHICH ARE RECALCITRANT IN THE IMPLEMENTATION OF THEIR ENVIRONMENTAL POLICIES BUT WOULD LIKE TO MAINTAIN A PUBLIC POSTURE OF ENVIRONMENTAL INNOCENCE AND OBJECT TO ANY OUTSIDE SUGGESTION FOR ENVIRONMENTAL SAFEGUARDS IN THE NAME OF SOVEREIGNTY. THSI OUGHT TO BE CONTESTED BOTH BY ENVIRONMENTALLY CONCERNED PEOPLE WITHIN AND OUTSIDE THE COUNTRY. THIS IS WHERE THE MDBS CAN ACTUALLY BENEFIT BY HAVING CLOSE COMMUNICATION WITH THE NGOS. ON WAYS AND MEANS OF GOING ABOUT THIS I WOULD PARTICULARLY LIKE TO

REFER TO THE THREE PUBLICATIONS ENCLOSED AS DOCUMENTS 5, 6 AND 7. THEY ARE AS FOLLOWS: "USING ECOLOGICAL KNOWLEDGE FOR DEVELOPMENT PLANNING" BY RICHARD A. CARPENTER; "BALANCING ECONOMIC AND ENVIRONMENTAL OBJECTIVES: THE QUESTION IS STILL, HOW?" BY RICHARD A. CARPENTER; AND FINALLY "ECOLOGY MEETS ECONOMICS: A GUIDE TO SUSTAINABLE DEVELOPMENT" BY RICHARD A. CARPENTER AND JOHN A. DIXON. THESE PAPERS WERE PUBLISHED AS EAST-WEST ENVIRONMENT AND POLICY INSTITUTE REPRINT NOS. 11,38 AND 80.

IN SUMMATION, I STRONGLY URGE THAT THIS SUBCOMMITTEE TAKE ALL THE APPROPRIATE MEASURES TO MAKE THE MDBS MORE RESPONSIVE TO THE CONCERNS OF THE NGOS AND IN SEEING THAT THEIR ACTIONS DO NOT IN ANY WAY HARM THE NATURAL ENVIRONMENT OF THE THIRD WORLD COUNTRIES. HOWEVER, I WOULD LIKE TO PUT IN A WORD OF CAUTION IN WHAT APPEARS LIKE AN EXTREME DOSE OF MEDICINE IN THE EXPRESSED VIEWS OF SENATOR D'AMATO. HE WHILE SUPPORTING THE ACTION THAT THIS SUBCOMMITTEE MIGHT TAKE AGAINST MDBS, WENT TO THE EXTENT OF RECOMMENDING CUTS IN FUNDS TO THESE MDBS. THE MAJOR GOAL OF THESE MDBS IS TO HELP IN THE DEVELOPMENT OF DEVELOPING COUNTRIES. IF FUNDS ARE REDUCED IT WOULD HAMPER EVEN THE LITTLE DEVELOPMENT THESE MDBS COULD BRING ABOUT IN THE DEVELOPING COUNTRIES. I WOULD SINCERELY URGE THIS SUBCOMMITTEE TO KEEP THIS IN MIND AND HELP IN THE ECONOMIC DEVELOPMENT OF THE THIRD WORLD COUNTRIES AND IN SAFEGUARDING THEIR ENVIRONMENT.

THIS CONCLUDES MY STATEMENT. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS ANY MEMBER OF THIS SUBCOMMITTEE MAY HAVE ON MY PRESENTATION. THANK YOU VERY MUCH.

GLOBAL PICTURES, INC.

STATEMENT OF RICK LOMBA, FILM MAKER

DEVELOPMENT PROGRAMS IN AFRICA

Senator KASTEN. Our next witness on this panel is Mr. Rick Lomba. We welcome you, and I want to once more congratulate you on the work that you are doing. It is one thing to work through all these statistics, through all the laws, through all of the other kinds of things, which people on both sides of these tables have been struggling through. I am

sure that you would rather be in handglider than testifying before the committee anyway, but the work that you have done in terms of bringing these problems into an understandable and memorable focus, the value of the work that you are doing can't be underestimated.

I thank you for the work that you are doing, but I also thank you for taking the time to appear before our hearing today. Mr. Rick Lomba.

Mr. LOMBA. Thank you, Mr. Chairman. I would also like to thank you for having gone to such great lengths to expose the kind of misadventure, which the World Bank and other institutions are now involved in in their development policies. I especially thank you for having made my film available to your colleagues, and to other members of the community here in Washington.

I grew up in Africa. I have traveled throughout Africa extensively. Even though I am an American citizen, I have enjoyed many, many countries in Africa, and I have become particularly concerned over the last 5 or 6 years as to the rapid demise of a lot of these countries' standard of living, and the quality of life of the people who live there.

It has become particularly evident to me that the development that the institutions are involved is to a great degree to the detriment of a lot of these countries. The type of cash crop farming that has monopolized great areas of Africa, driving people off of the most productive areas of land, as you mentioned, is unquestionably, not irreversible, but it is something that could have been avoided, and in the future still can be avoided.

AFRICAN DROUGHT

The saddest situation is that what the development organizations generally advocate as cash crops for export is not resistant to the type of drought conditions which are prevalent in the low-rainfall regions of Africa. As a result, at the outset of drought, which we had about 5 years ago, when the drought really started south of the Sahel, they had been there previously, 10 years before, there was an absolute collapse across-the-board of these crops, and a sort of massive destitution of people.

WORLD BANK INVOLVEMENT IN BOTSWANA

Perhaps the most shortsighted and dangerous type of export production comes, in these low-rainfall regions, from cattle. Unquestionably, if one talks about cattle export, one must talk about Botswana, and the World Bank's involvement in Botswana.

The World Bank and the European Community have been involved in Botswana for a number of years. They have been advocating and pursuing continuously a cattle policy, which is totally destructive to the environment. The environment is very fragile. It is an extremely arid environment. It is an area subjected to continual drought and is endemic with foot and mouth disease—hoof and mouth disease, as I think you call it here, is so dangerous for export that in the event of an outbreak of foot and mouth, all export would have to be prevented from taking place.

To base a whole industry on an environment that can't sustain it, and the chances of that export being closed down, is, in my opinion, totally unreasonable.

There are currently about 1 million people in Botswana. It is an extremely arid environment, as I mentioned before. What is more, there are three times as many cattle in the country. There are 3 million cattle in Botswana. The people in Botswana are not, as a rule, interested in production. They chiefly concern themselves in owning cattle as these represent a form of wealth, and they represent status.

There is an extremely small proportion of people, on the other hand, that have any interest in export. There is assessed to be 130 commercial farmers in the country, and the World Bank, with its livestock programs, basically, only involves this very small group of people who benefit.

LIVESTOCK PROJECTS

It has also become evident that the bank has been recently involved in a new project, called Livestock Project III. I would like to briefly tell you about Livestock Project I, which the World Bank got involved with in 1972. It lasted a short period of time. It destroyed a lot of rangeland, and it basically destroyed itself through wild animals migrating through the area, and people just abandoned these farms.

I have an entire statement, which I have submitted for the record on all of this.

The second livestock project was started in approximately 1978. It didn't last very long. It came into a lot of trouble. The World Bank realized, after a short period of time, in about 2 years, that this was not going to work out, and for the first time, they made an environmental impact study. More to the point, there was an assessment of this project. The assessment was done by a reputable group of people in Africa, the International Institute for Livestock Development.

The report indicated to the World Bank that there was absolutely no chance of this project working out. The report characterized the project as "an impossible plan, based on misguided assumptions that an infinite supply of viable land was available." Needless to say, the project didn't last very long. It killed a lot of wild animals, and displaced a lot of people, and actually destroyed the rangeland extensively.

LIVESTOCK PROJECT III

Now, 80 percent of the rangeland which is under cattle in Botswana has already been severely degraded. Livestock Project III, which is the newest program, is designed to open up the last areas of Botswana for cattle. It would appear that Livestock Project III again benefits just a handful of people. It benefits people in the commercial ranching sector. It would also appear that it would threaten to a great extent a lot of the indigenous hunters, who live in Botswana, and hunter-gatherer communities.

GAME RESERVES THREATENED

By the same token, this new project is destined to threaten the game reserves, greatly threaten the game reserves, because it will cut off migration. Hundreds of thousands of animals have died, as you have seen in my film, the fences and infrastructure that go into cattle is totally destructive to indigenous animals.

I would just like to conclude by saying that this new project, Livestock Project III, is not only extremely detrimental to the wildlife, the environment, and the people of Botswana, but that it should be suspended immediately, and that we should, in any way that one can, try to make the arrangements that this should take place.

FOOD SITUATION IN BOTSWANA

Already, 68 percent of Botswana is said to be on food supplement and food aid. Ten years ago, as you mentioned earlier, Botswana could feed itself. There was a surplus of food in Botswana. At this moment in time, 20,000 tons of beef are exported every year; by the same token, over 65 percent of the community is on food aid.

Something is definitely wrong in Botswana. There should be an investigation. Anything that we can do to these ends, I believe, would be extremely important for the Botswana people. I believe also that the U.S. Congress, and the Government strongly should encourage the institutions like the World Bank to open up their planning process to public scrutiny. These appraisal reports and environmental impact reports should all become public domain.

These institutions should certainly show the public that is going to be affected about the type of projects that are involved. I believe that Botswana is a very good instance of how this type of development project can go completely the other way.

I would just like to say thank you for allowing me to be here, Mr. Chairman, and that concludes my statement.

[The prepared statement of Mr. Lomba follows:]

PREPARED STATEMENT OF RICK LOMBA

PRESIDENT

GLOBAL PICTURES, INC.

Mr. Chairman, I am Rick Lomba. I am a United States citizen, a documentary filmmaker, and president of Global Pictures, Inc., a company based in New York City. Over the past 10 years, I have specialized in environmental and conservation films. I grew up in Africa and have lived and traveled in a number of countries on that continent.

My most recent documentary film, The End of Eden, has been shown nationwide over Turner Broadcasting Systems. It highlights the environmental devastation currently taking place in many areas of Africa. I estimate that ultimately more than 200 million people around the world will see this film. I have recently produced a short version of the film entitled The Gardeners of Eden, a case study of misguided development assistance projects in Botswana. I appreciate the opportunity to testify today about the disastrous consequences of a World Bank-financed cattle project in that country.

In recent years, I have become increasingly concerned by the the activities of a number of major development agencies currently financing development projects in the low-rainfall regions of Africa. These fragile areas have been repeatedly disrupted by misguided development efforts over the past few decades. As a result, the plight of millions of Africa's people is worsening. Foreign food aid requirements have increased and per capita food production has fallen.

The tragedy is partly due to the fact that development agencies traditionally encouraged developing countries to grow cash crops for export rather than food for their own consumption. In truth, for many African countries producing export crops is the only way to pay back the interest on their loans from the development agencies. Unfortunately, large-scale,

export-oriented production of cash crops such as tobacco, peanuts, tea, and coffee is very much dependent on an abundant water supply. In years of drought rivers run dry and water is scarce. Inevitably, these crops fail. The people that produce them -- the men, women and children that have become dependent on cash crops for survival -- are left without food or jobs. They are forced to join the growing numbers of destitute people dependent on foreign food aid. This type of cash crop farming has monopolized a great deal of Africa's most productive land, forcing subsistence farmers from these areas and making them dependent on the cash economy.

Perhaps the greatest mistake of this sort being made by development organizations lies in their belief that beef exports can become a commercially viable, sustainable way to acquire foreign exchange. The World Bank and other institutions have continually tried without success to develop cattle ranching programs in Africa's low rainfall regions. To date, none of these attempts have proved even remotely successful. The reason is quite simple: cattle are totally unsuited and ill-equipped to survive in these arid regions of Africa. They evolved in the more temperate climates of Europe and Asia, in areas of high rainfall where grass and water are plentiful.

Africa's low rainfall regions are delicate ecosystems where soil is infertile and the climate is erratic with periodic dry spells and regular droughts. Under these harsh conditions, cattle are extremely vulnerable to both disease and drought. During the dry season, the herds are forced to cluster around the limited drinking water. The resulting overgrazing of these areas devastates the range. As the land collapses, the denuded earth is eroded, and the areas are turned to desert. New areas must be opened up to prevent the cattle from starving in a wasteland created by their own appetites.

Cattle have become the primary cause of this phenomenon known as desertification. Desertification has become an environmental disease spreading like a malignant cancer across

Africa's low rainfall regions. These areas are predominantly the vast grasslands and savannah areas that make up over 60% of the African continent. Currently one hundred square miles of productive land is turned into desert every day. Desertification is spreading at a rate of about 36,000 square miles every year. This land will remain unproductive for literally thousands of years. It is productive land, lost forever.

Another indicator of Africa's plight is that over the past 15 years, development aid has increased by 900%. During the same period, food aid requirements dramatically increased by 2000%. At the same time, there has been a steady decline in per capita food production. Clearly something is wrong.

I am here today to draw attention to one such project currently being supported by the World Bank in Botswana. I believe it is an extraordinarily clear-cut and simple illustration of how development aid monies can be irresponsibly spent and how the projects can become destructive to both the population and the environment.

Botswana is a large country situated in southern Africa covering some 224,600 square miles. It is made up of large areas of semi-desert and suffers periodic droughts. The country supports a population of about 1 million people. Botswana is, however, one of Africa's more privileged countries and is well endowed with natural resources, among them large reserves of diamonds, coal, and soda.

With the help of the World Bank and aid from the European Economic Community (EEC), there has been a rapid increase in the numbers of cattle in the country. There are currently about 3 million cattle in Botswana. Cattle have become Botswana's most important export commodity after diamonds. Large areas of the country are being degraded and destroyed by continual overstocking. In many areas where there was once abundant grass, there is now desert. New areas are continually opened up as replacement range in an attempt to support these excessive cattle numbers. Ironically, despite Botswana's annual export of some

20,000 tons of beef to the EEC, over 65% of the Botswanan population has become dependent on foreign food aid.

Botswana once had an incredible abundance and variety of wildlife. But now, because of devastation brought about by cattle, these once-abundant wildlife populations have been greatly depleted. Hundreds of thousands of animals have been cut off from their seasonal journeys to food and water by cattle fences. Many of these areas have been turned to desert. Now the majority of wild animals have disappeared outside the game reserves.

The World Bank has taken a substantial part in the destruction of the country's ecosystems and wildlife communities by participating in cattle projects. In 1973, the World Bank became involved in its first project known as "Livestock Project I," a scheme funded by the Bank to establish leasehold beef and sheep farms at Nojane, a remote area in the southwest of the country. The Nojane ranching project had a very short and unsuccessful life span. The area was quick to become desertified and nonproductive. Migrating herds of wild animals continuously broke down the fences and disrupted the domestic stock. It soon became evident that this type of intensive ranching would not succeed. The farmers soon abandoned their ranches and moved on. The project did not return its investment.

As if this first misadventure was not a sufficient lesson, the World Bank then set out on "Livestock Project II." In 1975, the Botswana Government had embarked on a land tenure reform known as the Tribal Grazing Lands Policy (TGLP). The object was to apportion 65% of the country's land into one of three categories: commercial ranches that would benefit a few, communal areas where everybody could graze his cattle, and wildlife reserves where no cattle were to be permitted. The World Bank undertook to support the implementation of TGLP principally in the commercial sector by means of Livestock II.

It soon became evident that Livestock II was in trouble. This was hardly surprising in view of the fact that neither the

World Bank nor the Botswana Government seems to have undertaken any feasibility study or environmental impact assessment of the project. After Livestock II had already been partially implemented and after considerable doubts about its feasibility had surfaced over the course of a few years, the World Bank commissioned the International Livestock Center for Africa (ILCA) to analyze and assess the viability of this project. ILCA hired Solomon Bekure and Neville Dyson-Hudson, two very bright scientists with doctorates in agricultural economics from Cornell University, to study the troubled project and produce a report and recommendations for consideration by both the Bank and the Botswana Government.

This report is entitled The Operation and Viability of the Second Livestock Development Project (1497-BT). The report is over 40 pages in length and states repeatedly that the project does not have any potential to increase cattle production, nor does it have the slightest capacity to reduce the destruction of range resources. It points out that the project was having negative social effects on many communities and was responsible for widening the the income gap between rich and poor. The project was concentrating the country's land resources in the hands of a tiny percentage of the population. The report characterizes the project as an impossible plan, based on the misguided assumption that an infinite supply of viable rangeland is available. The report also points out that Botswana appears to have no inherent capacity to control its stock numbers by managing offtake rates, thus leaving the range ever more at risk from overgrazing. The report stresses that drought could cause a massive cattle die-off, which would inevitably result in human suffering.

The report points out the Botswanans in general appeared apprehensive about the project's plan to carve out large chunks of land from already overcrowded communal grazing areas for the exclusive use of a few affluent individuals. According to the

report, one out of every ten ranches was allocated to politically powerful individuals. The overwhelming majority of people in Botswana, stated the report, appeared to have no interest whatsoever in the commercial ranching scheme.

In conclusion, the report makes it quite clear that the project has no chance of meeting most of its objectives and recommends that the Bank withdraw as rapidly as possible from the project. The report recommends that Bank should urge the Botswana government to take an immediate and comprehensive review of TGLP's aims and objectives.

The Bank and the Government of Botswana totally ignored the report's findings and recommendations. They reacted by restricting the document's circulation and as a result no changes to the project were ever made. A few years later Livestock Project II was deemed to be commercially nonviable, and it was abandoned. The predictions of the Bekure/Dyson-Hudson report had become reality, as the land had collapsed under the intensive cattle program. The project had succeeded in making the poor poorer and the rich richer. Botswana had become the country with the highest per capita food aid dependence in Africa. At the same time, it enjoys the status of having the highest per capita head of cattle on earth.

By 1985, the World Bank had more than ample information about just how unsuccessful livestock projects in Botswana could be. It was also fully aware of the poor quality of life that the majority of Botswana's citizens were subjected to. Against the backdrop of their two previous failures, the Botswana Government and the World Bank entered into "Livestock Project III", yet another cattle development program that will now encompass most of the country. It will enable cattle ranching to penetrate some of the last wildlife areas and permanently displace many of the country's indigenous hunter-gatherer communities. The project will create even greater hardships for the tens of thousands of destitute people already dependent on food aid for their day-to-day existence.

The large-scale fencing of the proposed ranches outlined in the project will destroy the already depleted wildlife herds by blocking their last remaining migration routes. As more rangeland turns to desert, undisturbed areas like the Okavango Delta will become increasingly threatened by the need for more replacement range. As the game reserves are cut off from the surrounding areas, wild animal communities will be unnaturally confined. The animals will destroy the ecosystems as they struggle to survive in the unnatural confinements of the reserves. Already hundreds of thousands of wild animals have died as they attempted to move out of the Central Kalahari Game Reserve in search of food and water.

The hunter-gatherers (the "Bushmen") who are dependent on these wild animals for their survival will in turn have their traditional way of life severely disrupted. Over the years, these hunter-gatherers have increasingly become the victims of development. Time and time again, they have been forced off the land by the ranchers and their cattle herds. The hunter-gatherer communities were the earliest inhabitants of southern Africa. They are now as endangered as the wilderness itself.

Policies outlined by the World Bank's public relations people happily recite euphemisms, while the Bank turns a blind eye to these destructive projects. Jose Botafogo, the World Bank's Vice President for External Relations, recently described the development policies of the World Bank in number 5/6 of the 1985 volume of The Ecologist magazine. He stated:

> Through our lending operations and our continuing dialogue with developing countries we attempt to heighten awareness of the need for improved resource management as a critical ingredient in sustainable growth strategies.
>
> ....
>
> The issue really is how we can most effectively help most of the world's peoples to strengthen their economies and improve their living standards.
>
> ....
>
> As we see it, an overriding issue is how to avoid environmental damage or reduce it to an acceptable minimum without slowing the pace of development. When poorly planned, development may contribute to depreciation of a country's natural capital. . . .

> But this is no reason to abandon the search for better ways to help most of the world's peoples strengthen their economies and improve their living standards. With due attention to resource management, economic development can improve people's environment, in the broad sense of the word. That is, after all, a fundamental purpose of development. And that is the fundamental mandate of The World Bank. In the final analysis, sustainable development and wise conservation are mutually reinforcing and absolutely inseparable goals.

If this is indeed the task, Livestock III, as an example of the World Bank's development program, could not be any further from it.

The Botswana public is totally unaware of the implications of Livestock Project III and had no opportunity for input into the terms of the project. It is a deal that has been secretly conceived, signed, and delivered. Once again, no detailed environmental analysis appears to have been performed, despite the patently urgent necessity for one. Livestock III will primarily benefit only a handful of commercial ranchers at the expense of the great majority of the country's population. The project's primary objective is to increase Botswana's beef exports. This is a typically ill-conceived project trying to create an export commodity in an extremely fragile environment. It has been said that in all its previous attempts over the years, the World Bank has never carried out a successful cattle ranching program in any of Africa's low-rainfall regions.

I believe that Livestock Project III should be immediately suspended pending a thorough investigation by qualified, independent experts. A concerted attempt must be made so that cattle become a sustainable commodity in Botswana. As the country's lands are destroyed, so too are Botswana's wildlife and wilderness areas. These have a far greater potential for sustainable commercial development than is currently realized.

I believe it is essential to prevent the multilateral development banks from irresponsibly undertaking future projects with similarly disastrous consequences. It is imperative that the Congress and the U.S. Government strongly encourage these

institutions to open up their planning processes to public scrutiny. Appraisal reports and other key documents should be made available to the public, and especially to the people who would be directly affected. These institutions should consult with the affected public before undertaking new projects. Only in this way will it be possible to prevent future disasters like the one in Botswana, not to mention the many others of which we know only the outcome: bankrupt countries, destitute environments, and hungry people.

Mr. Chairman, this concludes my prepared statement. Thank you very much.

AVAILABILITY OF INFORMATION AND STAFF REPORTS

Senator KASTEN. Mr. Lomba, thank you very much.

As I listen to this panel of the borrower nations, or the recipient nations, I think that there is one theme coming through that might be even more important than the point that you just touched on at the very end, and that is that we open up information and the staff reports. It seems that in every one of these cases, there is significant, if not overwhelming, information in the public domain which indicates that the projects are, in fact, not supported by significant numbers of people in each of the affected areas.

That somehow, one special group, one small group that seeks to benefit, has been able to have an influence that is disproportionate to their true representation of the people of the areas. I think that this is particularly true in Brazil.

LIVESTOCK PROJECT II

It is my understanding, Mr. Lomba, that an environmental assessment was prepared for the Botswana II Project. Is that correct?

Mr. LOMBA. No, it wasn't. The Botswana Livestock Project II was embarked on without any environmental impact study. What happened was that as the project——

Senator KASTEN. My understanding is that one of them had an environmental impact assessment that turned out to be negative, and despite that they went ahead. There was a report that was negative.

Mr. LOMBA. There was no environmental impact study as per se initially. What happened was that the projects were embarked upon, and as Livestock Project II began to collapse, the World Bank got an appraisal report done of the project by an independent group of scientists. It was a report that was extremely detrimental and criticized the bank for being involved in this project. It actually recommended that it should be suspended immediately.

This report was suppressed, nobody got to hear about the report. It was only by chance that I came across it. The information was totally ignored, and 2 years later the predictions of that report were a reality, and the project had collapsed.

LIVESTOCK PROJECT III

Under a veil of equally as much secrecy, Livestock Project III was embarked upon, and nobody in Botswana knows about Livestock Project III. Again, it was just by sheer coincidence one came across its existence. It is so secretive on these projects, particularly in Botswana, it would appear, that nobody even knows what is happening until the land has collapsed to the point where there are more destitute people.

I just feel that in Botswana's instance, it certainly does not benefit the majority of people.

MALARIA IN RONDONIA

Senator KASTEN. Let me pursue now, Ms. Allegretti, this same concept, this same theme that we are talking about here. Today, in the Jack Anderson column, they talk about the malaria epidemic devastating a part of the State of Rondonia. They refer here to a report given by an evaluation team 2 years ago, March 1984. In that report, they said that there were serious issues, the growing imbalance within the program, between infrastructure construction, which is proceeding at a very fast pace, and farmer services and forestry and natural resources development, which are almost not proceeding at all.

The team report says, and I quote now from the article, "Unless serious measures are actually implemented by the Brazilian authorities to reverse this trend . . . the bank should, in this mission's opinion, suspend disbursements against all components of the program."

This is a report of 1984. In the case of Mr. Lomba, it was an independent group of scientists, but even though people were calling attention to this problem, it was ignored in Botswana.

It seems, No. 1, we have a problem that goes way beyond malaria, but malaria is the thing that we can point to right now. Once more, reports were ignored. Is this true that there was knowledge of the problem, but the program went on nevertheless?

Ms. ALLEGRETTI [through the interpreter]. I think that it is absolutely no surprise at all, the health situation in Rondonia. It was something that was indeed very well known beforehand. It was quite predictable that with the opening of the road, at the rapid rate that it was opened, without preventative measures being taken, that such a situation might arise.

There were, in fact, studies available in advance, years beforehand, and it is quite true that this malaria was a foreseeable problem.

We are extremely concerned, in fact, precisely about the repetition of this same model of development as the road that is the center of the Poloroneste goes on being paved up further into Amazonia. We are quite concerned that unless much stronger measures are taken, much earlier in the case of continuation of this road project, just the same situation will repeat itself again.

NUMARA PROJECT

Senator KASTEN. I want to explore this same theme, if I can. We have something very similar. I want to go now to the Numara Project. Has the official government position on the Numara Project changed in any way in recent years, and what is the position of the nongovernmental organizations across the country on the Numara Project in India? Are there particular parts or regions in the country that have certain concerns?

Mr. RAMAKRISHA. To start with, the Government of India initially wanted to go ahead with the World Bank loan, but when popular concern was very effectively expressed, several voluntary group visited that area, not only groups that operate in that area, but also groups from several other parts of the country came down. They mobilized public opinion to a very great extent about the damage that it is going to cause to the local population, which will be displaced in the sense that compensation should be provided, alternative land should be provided, and how to go about the whole thing.

This concern delayed the government decision to go ahead to start with, but it did not in any way negate the particular decision. The interesting part here is that we have absolutely no evidence to suggest that the World Bank had taken these concerns into consideration, and suggested to the Government of India that if you take these concerns into consideration, the total expenditure would increase to this extent, or any such thing.

NUMARA PROJECT ENVIRONMENTAL IMPACT ASSESSMENT

We had a very brief statement, two very brief statements in Numara Project reports that are submitted to the members of the World Bank, which talked about the fact that they had done an environmental impact assessment, and that the impact was not going to be very significant.

One disturbing factor here is that, when you talk to some people working at the World Bank, they will tell you that they are not in a position to tell the member governments to do or not to do something. In fact, they say, they have so much funds in surplus that unless they give them away as loans to several countries. They say, when we come back from a mission, we are actually told off by saying, why did you put so many objections to the member government.

They try to actually push the whole thing along, and in the process, they will omit some of the major important issues.

LOSS OF RAIN FORESTS IN INDONESIA

Senator KASTEN. Let me now pursue this same concept in Indonesia. We have information on the tremendous amount of rain forests that have been lost in the last 10 years, and a significant amount of that rain forest area that has been lost is the product of MDB loans. Is that correct?

Ms. HAFILD. Yes.

Senator KASTEN. Do you know what the percentage is?

Ms. HAFILD. I don't know exactly the percentage, but I know that it is large.

Senator KASTEN. What are these areas like once they have been deforested? You have a couple of examples on your pictures, I believe. How is the economy affected? Last, what is the opinion of the people who are affected?

Ms. HAFILD. As a matter of fact, the forest issues, in Indonesia, are not so popular to most of the people in Indonesia because most of us are very poor. We are more concerned about our poverty, rather than losing our forests. That is the big problem in Indonesia.

The reaction of the people about these programs, usually as I know, these plantations are located in the forests and quite far away from the people, from the indigenous people who are living there. Some of these plantations are also a part of the Transmigration Program. Many of the transmigrants who are moved to these locations, left the plantations because they cannot pay the loan back, that is the problem. Now they are operated by the Management Authority, and the transmigrants left the plantations.

CONCLUDING REMARKS

Senator KASTEN. I have made my point. I didn't realize that we were going to be able to do this as neatly as we have just done it. In each case, we have a number of very similar kinds of circumstances, different projects, different amounts of money, different countries, but the same basic concept.

Yes, there is a problem of poverty, but the long term is against basic economic development success in every one of the projects here. There may be a short-term profit at the expense of long-term development upon which someone can base a growing economy, including the problems in Indonesia.

I believe that we have a theme that all of us need to continue to pursue. I am amazed at the fact that there is as much similarity—maybe we have never had a time in which these projects have all been looked upon in the same 15 or 20 minutes.

We have a time problem, and I appreciate all of you being as patient as you have been so far.

I would like to once again express my deep appreciation to all of the witnesses who testified here today, especially to the people from other countries who came here to participate in this effort.

Our subcommittee and I will continue to vigorously pursue this matter in every appropriate way. More importantly, I anticipate that our efforts will continue to make progress and, hopefully, the necessity for our efforts will diminish because of actions taken by the multilateral development banks, assuring that their programs and their projects will not continue to harm the world's environment.

I want to express particular thanks to Bruce Rich, and the other Washington-based environmentalists who have worked with us on an al-

most daily basis. Your efforts are surely appreciated by many, not only in this country, but throughout the world.

SUBCOMMITTEE RECESS

This concludes this morning's hearing. The subcommittee stands in recess until Thursday, May 15.

[Whereupon, at 12:41 p.m., Thursday, May 1, the hearing was concluded and the subcommittee was recessed, to reconvene Thursday, May 15, 1986.]

Material Submitted Subsequent to Conclusion of Hearing

(CLERK'S NOTE: The following material was submitted by the Environmental Policy Institute for inclusion in the record subsequent to the hearing:)

Shifting Patterns of Pulp Trade in the Northeast

—What they mean for loggers and landowners—

by Lloyd C. Irland*

In the February issue, we took a look at the specter of increasing processed pulp imports into the Lake States, and what effect they're having on the aspen harvesting industry there. This month, economist Lloyd Irland lines up the numbers to predict what role processed hardwood pulp imports will play in the industry in the Northeast.

The recession of the early '80s, the collapse of forest products prices and industry profits, and resulting cutbacks in wood consumption have already affected loggers and landowners in the Northeast. A confusing pattern of economic forces is at work, and prosperity in Rumford, Maine or Glens Falls, New York seems to depend too much on what finance ministers agree to do in Geneva or what Latin American governments push in their economic development programs.

Fears have been raised that new tropical plantations will supply a pulp industry that will drive us out of business up here in the cold, gritty Frostbelt.

What's going on?

The United States is the world's largest pulpmaker, and will be for a long time to come. About one-seventh of our pulp output is market pulp—sold for use at other mills. This amounts to some seven million tons per year. U.S. trade in market pulp is complex. Today, we make about $4.4 billion worth of market pulp. We import $1.7 billion worth, mostly from Canada, and export another $1.5 billion worth to many destinations.

The question is, why bother, if it basically nets out in the end?

Local geographic factors govern this trade. Over the years since 1950, pulp imports have grown modestly, while our exports have increased dramatically. We still import somewhat more tonnage than we export, and most of what we import is northern softwood pulps from Canada.

However, while pulp imports have grown, they grew far less than did total paper and board output here, so now we depend less on pulp imports than we did in 1950. And over these years, U.S. pulpwood consumption also grew faster than pulp imports.

So, looking at history, there seems little basis for a concern that pulp imports have been any competitive nuisance to

Trends in Wood Pulp Production and Trade
1950-1983

Year	Production	Imports	Exports	Consumption	Imports	
	Million Tons				Total Per Capital Lbs.	% of Cons. Pct.
1950	14.8	2.4	0.1	17.1	225	14
1960	25.3	2.4	1.1	26.6	294	9
1970	43.5	3.5	3.1	44.0	429	8
1980	53.0	4.0	3.8	53.2	467	8
1983	54.8	4.1	3.6	55.2	471	7

SOURCE: Alice H. Ulrich, U.S. timber production, trade, consumption, and price statistics 1950-1984. USDA Forest Service, Misc Publ. 1450. 1985. p. 70.

*State Economist, Maine State Planning Office.

the overall U.S. logging and timbergrowing interests. Could this change? Before speculating on this, we'll need to look at recent market trends, the situation in eucalyptus pulp, and conditions in the Northeast.

"This recent rapid growth in eucalyptus pulp output cannot be sustained."

The strong U.S. dollar, plus slack export demand and overcapacity, has pushed U.S. pulp prices down considerably from the 1984 highs. Overall, U.S. paper output was down in 1985. Based on part-year data, the following comparisons show the confusing situation we are in:

	% Change 1984-85
Paper and board output	-2.6
Pulpwood consumption	-2.9
Market pulp output	-8.5
Pulp exports	+5.2
Canadian pulp exports	+4.4
U.S. pulp imports	+3.8

(Source: statistical summaries in *Pulp and Paper*, and data from the U.S. Commerce Department.)

"Worldwide, eucalyptus pulp is estimated to have grown about sevenfold in the past decade."

Even despite the strong dollar, our pulp exports rose more than did our imports in 1985. But the key statistic for loggers and landowners is that domestic pulpwood use fell.

Worldwide, eucalyptus pulp is estimated to have grown about sevenfold in the past decade—to about 2.8 million tons in 1985. This is significant compared to U.S. market pulp shipments of some seven million tons. Eucalyptus pulp sells at prices comparable to U.S. hardwood pulp.

Several nations—including Brazil, Portugal, Spain and South Africa—intend to increase eucalyptus pulp exports to earn needed foreign exchange. Others may in time emerge as exporters of pulp made from other hardwoods. Some nations are trying to achieve domestic self-sufficiency in pulp; I understand that Mexico has recently done so. This will reduce U.S. export market opportunities.

This recent rapid growth in eucalyptus pulp output cannot be sustained. In at least some of these nations, further growth will be constrained by high capital costs, rapid inflation, energy costs and political instability.

How about the Northeast? From Pennsylvania eastward, the paper industry needs about 6.5 million tons of pulp annually, but makes only 4.7 million. From this plus other raw materials comes about 25 percent of U.S. paper output.

So the region brings in 1.8 million tons of pulp annually—some from other parts of the United States, some from Canada, some from offshore. About 27 percent of the Northeast region's pulp is made elsewhere. Dependence on purchased pulp is high for certain individual mills and in a few states, like Massachusetts which consumes considerable woodpulp but makes almost none. Over the years, real pulp prices have risen relative to paper prices. This places something of a squeeze on mills needing to buy market pulp.

As a result, the prosperity of our industry in the Northeast is improved by soft pulp markets. Considering our extremely difficult competitive environment, this is no small blessing. And on balance, this imported pulp probably would not be made here.

Most of our fine paper mills need northern kraft fiber for strength. They can adapt to a certain measure of hardwood fiber, but there are limits to this, in the short run at least. At the moment then, imported hardwood pulps are no great threat to markets for domestic spruce and fir pulpwood. The North faces an emerging budworm-caused spruce-fir shortfall in many areas. Pulp imports could help these mills piece together a raw material supply until the resource rebounds in the next century. Loggers and landowners would then benefit from maintaining mills in operation that could otherwise be threatened with shutting down part of their capacity.

Experts expect world pulp markets to remain oversupplied until about 1987. If tropical hardwood pulp exports grow rapidly over the coming decade, they could become a significant competitor to potential U.S. hardwood pulp mills. This could postpone still further the development of additional hardwood pulp capacity, which is needed to utilize the enormous northeastern resource of low-grade hardwood. In light of this possibility, we should be grateful for whatever wood energy markets we may have for hardwood.

"We now depend less on pulp imports than we did in 1950."

Tropical hardwood pulp then, presents a mixed picture from the perspective of northeastern loggers and landowners. It could help parts of our industry through difficult times ahead. But if tropical supplies grow so fast as to glut world markets in the 1990s, it would forestall the development of hardwood pulp mills in the Northeast. In that event, we could look only to wood energy markets for using low grade hardwood.

How likely this is, I cannot determine. It depends on many factors. I'm comfortable guessing that we needn't lie awake nights in worry. But we might want to take a glance southward every so often to stay up to date on our new tropical competition. ■

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